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Discretion in Decision Making: The Fonterra Case

A thesis
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Thesis Abstract

Management literature adopt the definition of discretion as “latitude of action” and it is typically researched as freedom of decision making associated with positions in the upper echelons of organisations. This is a narrow view of discretion which underestimates the exercise of discretion irrespective of organisational prescription. The aim of this study was to examine the exercise of discretion across organisational levels, guided by the overarching question: “How do employees use discretion in the workplace?” Valuable insight about the use of discretion by all employees was gained. In addition, the study contributed to a better understanding of the role of personal belief systems in discretionary decision making – an existing gap in the current research on discretion in the management field.

Discretion is about individuals’ freedom of choice, based on their internal beliefs, values and principles. The best way to understand this individual social process was to examine it from the point of view of the decision maker, and therefore a subjectivist research position was adopted. A phenomenological approach allowed the examination of participants’ concepts and pursuits of discretion in their work environment, accessed through face-to-face interaction. Fonterra was chosen as an ideal case for this study since it was representative of other large businesses, but also unique due to the company’s different struggles within the dairy industry. The data was coded and analysed in Atlas.ti. to identify major themes as it emerged from the experiences shared by participants.

Results supported the notion of discretion as a bilateral phenomenon in the form of intrinsic and extrinsic discretion, exercised across organisational levels. It was found that interpersonal factors such as management style and collaboration with colleagues in the judgement phase of decision making encouraged employees to engage in discretionary decision making. Certain organisational factors were found to discourage the use of discretion. Factors associated with internal and external organisational good (as theorised by MacIntyre) were however experienced differently: employees felt positive about restrictions on their discretion if it was associated with the internal good of the organisation; but negative about restrictions

associated with the external good of the organisation. It was determined that employees strongly identified with organisational values, which seemed to act as surrogate values in the absence of clearly defined personal values.

Conclusions drawn from this study were that discretion was not only an allocated level of leeway associated with organisational positions, but was associated with individuals who occupy those positions. This was clear from the examples of important discretionary decisions made by employees on lower organisational levels. Organisations need to be aware of the significant role that management style and employee collaboration play in the willingness of employees to use their discretion. Organisations will also benefit from the knowledge that employee dissatisfaction ensues from restrictions on their use of discretion due to external but less so from internal organisational practices; and to take note of the importance of articulating the values on which employees could later base their discretionary decisions.

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I dedicate this thesis to my unconventional late brother: Ben, you inspired my curiosity in this research topic - I will always cherish our dusk to dawn conversations.

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Prologue

Growing up, I learned to respect authority based on a deep-seated belief in the God of the Bible. In many ways I was able to build a relationship of trust with our heavenly Father because of the example that my earthly father set for me. Obedience to the rules of the Christian faith, church, and family was expected, but never separated from a foundational relationship of love. It was because I was loved and protected that it was so easy to live by these rules. The rules were based on the New Testament synopsis of the Ten Commandments: to love God with all my heart, soul, mind, and strength, and to love my neighbour as myself. Yet I was taught to always consider alternatives. My artistic mother saw the world differently to many of my friend's parents. She would instinctively and consistently find ways to present words and works of art, which included the presentation of an everyday plate of food, in diverse and unexpected ways.

Together, these two approaches had the effect that I never felt trapped by prescriptions, and is also the reason why I refer to Christian rules by the New Testament synopsis instead of the Old Testament prescription in the form of the Ten Commandments. These two versions are one and the same thing, yet the New Testament synopsis expects a level of moral maturity from the believer, where every expectation is not outlined and formulated in a "thou shalt and thou shalt not" fashion but rather indicates the expectation that the believer should by virtue of love for God, others and self, be able to instinctively sense when an action is morally wrong.

My upbringing thus taught me two things: first to be sensitive to the effects of my actions and decisions on others, and secondly to use my common sense instead of being a blind follower. This must be what led to the striking statement my brother made to me in one of our last conversations two months before his death: "We van Zyl's (our family name) don't step in line". Over the past few years I have often dwelt on this thought. Not stepping in line is an art in itself; it sometimes leads to wrath, and sometimes leads to admiration, but is seldom overlooked. I started

thinking about those who “step out of line”. Who are they, when and for what reasons do they step out of line, and are they even aware that they do?

I was brought up by a man from the ‘silent generation’¹ who grew up under the global influence of the great depression and World War II. As a miner he never rose through the ranks of Gold Fields², but consistently laboured from dawn to dusk to provide me with the opportunities that he was denied. Regardless of the power distance³ in my home country South Africa, I do not remember a single time in my life that I was not proud to say that my father was a miner. I saw him fulfil leadership roles at home and in the community and I never doubted that he did the same at work. I cannot imagine him being a worker who, directed by those in power, stepped in line from day to day: his inner strength, intelligence, and wisdom would not allow that.

My background permanently influenced the way I look at people in organisations. As a human resource consultant I enjoy entering workshops to admire colossal pieces of machinery, or walking through industrial sites to be overwhelmed by the size and complexity of technology. But most of all to be in awe of the skill of tradesmen and the ability of ordinary people to understand the intricacies that are needed to keep the wheels of industry turning. I am convinced that neither factory gates nor the threshold from carpeted offices to the concrete of shop floors is a drop door to a world where everyone steps in line. I do not promote anarchy - I fully understand the need for regulation; but the memories of my father and the image of skilful tradesmen at work gave life to my brother’s words, and urged me to embark on a quest to find out what “stepping out of line” meant. I started by looking at the definition of ‘breaking ranks’.

¹ Silent generation: born from 1925 – 1945. Also commonly called the Traditionalists (careersuite.co.za)

² Gold Fields Ltd is a global producer of gold with mines in South Africa, Australia, Peru and Ghana (www.goldfields.com)

³ Cultural dimension that deals with the fact that all individuals in societies are not equal (geert-hofstede.com)

To break ranks mean to fall out of line into disorder, to fail to conform, or to deviate⁴. Disorderly deviation was not what I had in mind. ‘Failure’ to conform neither: to conform, adapt or obey is constructive in principle, but not adapting or obeying does not necessarily constitute failure. ‘Failure’ to my mind, is predicated by what it is that people are required to conform to. It would for example be appropriate to march in unison if you agree on the destination, but if you know that the march is leading to peril ‘stepping out of line’ can hardly be labelled failure. I do not see ‘stepping out of line’ as indiscriminate resistance of the status quo; instead I see it as actions based on personal principles. In other words, ‘stepping out of line’ requires the use of personal discretion instead of blindly following prescription; it is a matter of balancing rules and principles.

⁴ Idioms.thefreedictionary.com/break+ranks

CHAPTER 1: Introduction

The heritage

Ben: You know Sis, we van Zyl's don't step in line...

1.1 Background

This investigation is inextricably linked to the last conversation between the researcher and her brother, who made the comment quoted above. What he referred to, was a common family attribute to find creative solutions to life's challenges; to use personal judgement instead of following a prescribed course of action. When the opportunity presented, it was this comment that led to the researcher's investigation into the use of discretion in decision making. In its most basic form discretion is described as the *freedom to decide*⁵, and the intention of this study was to elaborate understanding about the way in which individuals in organisations exercised their freedom in decision making.

Every individual action is preceded by a decision. Some of these decisions are the result of habitual repetition yet others are based on effortful reflection on extensive sets of rules and regulation that guide decision making (Dreyfus & Dreyfus, 2004). In particular, the freedom to make decisions in the workplace is constrained by regulation. These constraints are presented in the form of policies, procedures, and codes of conduct; in fact, workplaces have been referred to as 'assemblages of rules' (March & Simon, 1993).

The current business environment is plagued by high level scandals with far reaching consequences for organisations as well as their employees. The global financial crisis of 2008 has been described as the worst financial crisis since the great depression of the 1930s. As a result, businesses are under constant pressure to

⁵ www.oxfordreference.com

be more ethical in their operations. De George (2012) talks about the *adoption of ethics into business*, which represents the integration of ethics into business and business practices. This integration constitutes deliberate efforts of organisations to demonstrate business practices that encourage the ethical behaviour of their employees. Much of these attempts are motivated by legislation that require organisational compliance to minimum operational standards and product and service quality, giving rise to ‘tight’ business environments.

In tight business environments, employee behaviour is constrained by regulation (Carpenter & Golden, 1997). Rules are important to shape human interaction in complex dynamic situations (North, 1990) and are known to enhance ethical behaviour (Arjoon, 2006; Gössling, 2003; White & Lam, 2000). However, over reliance on rules may result in employees becoming so entangled in the mechanisms and processes of compliance, that they lose sight of the reason why those rules were introduced in the first place. It is not only their *freedom to decide* that is potentially affected, but in their eagerness to obey external rules, personal moral autonomy may even be lost (Gössling, 2003). The ability to use discretion in the workplace thus has significant ethical implications for organisations.

1.2 Significance of the research topic

The importance of employee discretion in the workplace has been established by previous research. It is important to recognise that excessive leeway may lead to unethical behaviour such as the abuse of power and opportunistic behaviour (Pazzaglia, 2010; Vredenburg & Brender, 1998). However, organisations as well as employees benefit from appropriate levels of employee discretion in decision making. Earlier studies show an increase in firm performance when employees are able to use discretion (Caza, 2011; Finkelstein & Boyd, 1998; Goodrich & Salancik, 1996); and enhanced organisational capability to react to external pressure (Greening & Gray, 1994). Executives with higher levels of discretion are also known to display greater corporate social responsibility, to the advantage of the organisations they work for. Organisations that allow higher levels of leeway, tend to attract employees who are confident, have self-worth, and are free from anxiety

(Hiller & Hambrick, 2005). Employees who are allowed to use discretion pursue broader goals, are better negotiators and are less naive when forming business relationships (Olk & Elvira, 2001). Individual employees also benefit when they are allowed leeway in their decision making; for instance, it leads to improved well-being and physical health (Caza, 2011). In addition, employees who are empowered through decision leeway, experience higher levels of job satisfaction (Caza, 2011). Conversely, lower levels of discretion are associated with lower levels of creativity (Scott, Colquitt, & Paddock, 2009) and higher levels of turnover (Shen & Cho, 2005). The research that has been done up to now is invaluable in helping scholars as well as practitioners to understand the effect of employee discretion on business. Most of its focus however has been on environmental and organisational factors, while factors such as individual ethics in discretion needs more investigation (Arnaud & Wasieleski, 2014; Li & Tang, 2010).

The link between ethical behaviour and discretion is under developed. This research study has been designed to answer the call for more research to make a link between ethics and discretionary decision making (Arnaud & Wasieleski, 2014). In light of the business environment as set out above, the study is both timely and worthwhile in the bid to raise the ethical standards of business practices. The way in which this research is accomplished is by viewing organisations from MacIntyre's perspective and an original view of discretion as a bilateral phenomenon embedded in the judgement phase of the ethical decision making process.

1.3 MacIntyre's view of organisations, discretion, and ethical decision making

In the wake of corporate scandals and public loss of trust in ethical business practices, regulation is typically called on to demonstrate that steps are being taken to improve the status quo. This reaction is commendable, especially if it supports fundamental principles basic to human existence across cultures (Spicer, Dunfee, & Bailey, 2004). This last objective is achievable by learning from MacIntyre's 'traditional view' as it applies to organisations. MacIntyre emphasises the importance of focusing on the *Telos* (an end state of happiness) achieved through

living a virtuous life, and balancing internal and external organisational practices. An over emphasis on external practices may lead to unethical business practices (MacIntyre, 2007).

Organisations focused on the *telos* provide a favourable environment for ethical conduct. By grasping the *telos*, employees are for instance better positioned to understand and interpret the need for regulation. Without it, individual regulative initiatives may contribute to the fragmentation and compartmentalization of human life that MacIntyre opposes. Instead, MacIntyre promotes communities (e.g. organisations) with a shared *telos* that provide context and meaning to morality.

Organisations engage in both internal practices (practices directed at achieving the objective for which it exists in the first place) and external practices (practices directed at the survival of the organisation itself). If organisations are focused on external practices and neglect internal practices, the *telos* firstly fades into the background, (with detrimental consequences for the organisation as an ethical work place) and secondly deprives employees from the meaning of individual pieces of regulation meant to improve ethical standards. Restricted leeway as a consequence of regulation then becomes an encumbrance to endure rather than congenial participation in ethical work practices.

In the business literature, discretion is commonly defined as *latitude of action* (Caza, 2012; Crossland & Hambrick, 2011; Hambrick & Finkelstein, 1987; Key, 2002; Ponomareva, 2013; Wangrow, Schepker, & Barker, 2015). However, a review of the literature revealed that discretion in organisations was mostly viewed as the degree of leeway that employees in specific organisational positions were awarded to execute their tasks. This form of discretion concerns the position, regardless of the person, and is externally awarded through organisational prescription. Consequently, the scope of options allowed for specific position remained the prerogative of the organisation, and was coined *extrinsic discretion* for the purpose of this study. Importantly, an extrinsic view of discretion mostly excluded employees on lower levels of the organisation from organisational research in discretion. This transpired because discretion is mostly awarded to positions in the upper echelons of the organisation where most of the decision making takes place.

Subsequently, research on lower organisational levels has been neglected. Scott, Colquitt and Paddock (2009) indeed argue that discretion is relevant to virtually all participants in a larger organisational setting. The intent of this research study was therefore to include participants on all organisational levels.

When discretion was examined from vantage points outside of the business literature, it became more closely connected with the person, rather than the position, with emphasis on personal interpretation of situations followed by decision making based on internalised norms and values, and was coined *intrinsic discretion* for the purpose of this study. *Extrinsic discretion* is seen as an objective process whereby the decision maker arrives at a conclusion based on facts or prescribed regulation. *Intrinsic discretion* on the other hand is seen as a subjective process with more freedom for the use of personal assessment based on internal beliefs and values. The important role of values in the exercise of discretion signal the association of discretion with the ethical decision making process.

Ethical decision making is usually characterised by a four step process of awareness, judgement, intent and action (Rest, 1986). Discretion naturally forms part of the judgement phase of ethical decision making. Following the example of Martin and Parmar (2012) who extended each of the ethical decision making steps on a continuum of underlying assumptions, the bilateral concept of discretion was overlaid with the judgement phase of the ethical decision making process. *Extrinsic discretion* was placed on one end of the continuum, where ‘judgement’ occurred through the exercise of extrinsic discretion. *Intrinsic discretion* was placed on the other where individuals were required to use higher levels of interpretation and to rely on internalised beliefs and values to justify their decisions.

Binging the three literatures of MacIntyre, discretion, and ethical decision making together, gave way to a conceptual framework for the study. It set the scene to bring the concepts of discretion and ethics closer together in the following ways: First, current attempts to increase workplace ethics was considered by using MacIntyre’s approach to organisations. It raised the question of how employees presently viewed environmental impacts on their use of discretion; and if they were able to understand how their use of discretion contributed to the telos. Second, the

importance of values was accentuated. If discretionary decisions were guided by personal beliefs and values, an understanding of what those values are, is important. In particular, it is necessary to understand if and how agreement on values are reached, since such agreement is vital to achieve an agreed telos. The focus on values was of special significance. In New Zealand a steady moral shift away from cultural and religious ideas toward individualistic secular-rational values is taking place (Ralston et al., 2011), which implies that it is becoming increasingly important to understand how moral agreement is reached.

1.4 The research problem

This research seeks to understand the phenomenon of discretion from the vantage point of contemporary New Zealand employees. It will provide a better understanding of the values that employees base their decisions on. This is important given that moral relativism is increasing in the New Zealand society⁶. A new understanding is necessary to understand how agreement is reached on the values that underpin discretionary decisions. By examining the factors that impact the ability of employees to exercise discretion, business leaders will be provided with information on how to adjust levels of employee discretion so that outcomes such as employee satisfaction, employee well-being, employee creativity, staff retention, and socially responsible behaviour can be achieved.

This research thus aims to construct a new level of meaning about the way discretion is exercised in the New Zealand work environment; a task best achieved by a phenomenological research approach (Moustakas, 1994). Such an approach allows for the emergence of the phenomenon from the point of view of the people directly involved in the process (Burrell & Morgan, 1979) without assuming that the current understanding of discretion would be similar to what has been recorded in the past (Kaam, 1966). Therefore, broad questions were developed to lead the enquiry, in order to allow as much opportunity as possible for the phenomenon to emerge, with the least interruption from the researcher.

⁶ Pew Research Centre. (2015). The future of world religions: Population growth projections, 2010-2050.

1.5 Research questions

The overarching question that guided this study was: *How do employees use discretion in the workplace?* Three additional questions supported this central question, and were formulated to examine employees' experiences of the exercise of discretion in the workplace. Sub question one explored the experiences of employees on various organisational levels, while question two focused on the foundations of employees' discretionary decisions. Question three was designed to uncover employees' perceptions of the environment in which they exercise discretion.

Sub-question 1: How do employees on different organisational levels exercise discretion?

Sub-question 2: How do values impact on the use of discretion?

Sub-question 3: What factors contribute to or inhibit the use of discretion?

1.6 Research parameters

Context specific researchers are interested in a phenomenon (in this research, discretion) in a particular setting (in this research, the dairy industry) while *contextualist* researchers examine the phenomenon even more specifically within a narrower setting such as one organisation within the industry (Heath & Sitkin, 2001; Hunt & Blair, 1986). One of the research questions were formulated to examine the phenomenon on different organisational levels which indicated that the organisation needed to be large enough to contain at least three organisational levels. A situation that fits these requirements presented itself in Fonterra, New Zealand's largest dairy manufacturer. Participants represented the tactical management level, operational management level and lower staff levels such as operators and technicians across three different Fonterra sites.

1.7 Thesis structure

The rest of the thesis is organised in the following chapters:

Chapter 2, Literature review:

The purpose of chapter two is to provide an overview of the three important bodies of literature that informed the investigation: discretion; ethical decision making; and MacIntyre's perspective on organisational ethics. A theoretical model that binds these literatures together is presented.

Chapter 3, Research method and methodology:

In chapter three, the philosophical position that has been adopted for this study is discussed, followed by the research design, and the procedures and strategies that were followed to collect and analyse the data.

Chapter 4, Research context:

Chapter four provide the vital contextual background about Fonterra. An overview of the New Zealand dairy industry and the establishment of Fonterra is discussed, along with details about the organisation's current business strategy. The geographical location and organisational purposes of the three sites included in the study is also offered.

Chapter 5, Discretion by levels:

In chapter five, the findings on sub-questions one "*How do employees on different organisational levels exercise discretion?*" are presented. The chapter presents findings of discretionary decisions made on the tactical management level, operational management level, and lower staff levels. These decisions are presented in terms of the task and relational dimensions of discretion, and the use of intrinsic and extrinsic discretion on all levels is demonstrated.

Chapter 6, Foundations of discretionary decisions:

Chapter 6 deals with sub-question two "*How do values impact on the use of discretion?*" The nature and role of personal values as well as organisational values

as foundation of discretionary decisions are presented. Included in this chapter is the social nature of the discretionary decision making process, as it emerged from the data.

Chapter 7, Factors conducive and restrictive to discretionary decision making:

The purpose of chapter seven is to present findings on sub-question three “*What factors contribute to or inhibit the use of discretion?*”

Organisational, interpersonal, and intra-personal factors that were perceived to either restrict or encourage the use of discretion are presented here, along with employees’ varying attitudes associated with these factors.

Chapter 8, Discussion:

The main task of chapter eight is to provide a new level of meaning about the exercise of discretion in the contemporary New Zealand work environment. To this extent a new model is proposed, which is in essence a maturation of the theoretical model presented in chapter two. Three important cornerstones of the proposed model, are the discretionary decision making process (as experienced by Fonterra employees); the way in which various factors were perceived to impact the process; and the foundations of employees’ discretionary decisions. Some comments are also offered about employees’ desired outcomes in their use of discretion.

Chapter 9, Conclusion:

In this final chapter of the thesis, contributions for theory, practice, and research are presented. Limitations of the current research study are offered as well as suggestions for future research.

1.8 Summary

The purpose of chapter one was to provide a broad overview of the nature of the research project. In addition, the overarching research question and three supporting questions were introduced. The main theoretical, practical and research contributions were highlighted and some tentative ideas were offered about the content to be expected in each of the following eight chapters.

Chapter 2: Literature review

2.1 Introduction

Discretion is a flexibility versus uniformity dilemma (Loyens & Maesschalck, 2010). In New Zealand this tension is accentuated by two significant social phenomena: the tightening of workplace regulation (Canary & Jennings, 2008) and a rapid societal shift toward moral relativism⁷. Increased organisational regulation encroaches on individuals' discretionary territory, while a shift to moral relativism complicates communal agreement on beliefs and values that discretionary decisions are based upon.

Scholars in the field of management have done much work in discretionary research, but more work is required to link morality to discretionary decision making (Arnaud & Wasieleski, 2014). This research study is designed to help close this gap by extending an enquiry into discretion to all organisational levels. So far, business research overwhelmingly focuses on senior management level while neglecting lower employee levels (see discussion on 'extrinsic' view of discretion). By looking at the use of discretion across all organisational levels, the focus shifts to the person instead of the position, which provides opportunity to uncover more about the use of personal values and beliefs in discretionary decision making.

This chapter has three sections. The first offers a discussion of MacIntyre's philosophy with emphasis on his *traditional view* of moral enquiry, which serves the purpose of bringing the concepts of discretion and morality closer together. MacIntyre's *traditional* enquiry stresses the mutually dependent relationships that people share and the importance of moral agreement that is formed over time. A MacIntyrian view of organisations is advantageous in a study of discretionary decision making: understanding the flexibility vs uniformity dilemma integral to the use of discretion is aided by MacIntyre's notions of communal rules and human

⁷Pew Research Centre. (2015). The future of world religions: Population growth projections, 2010-2050.

virtues, which are both required to guarantee excellence and effectiveness in organisational practice. A discussion of these concepts as part of an overview of organisational life seen through the lens of MacIntyre, will lead into the second section of this chapter, which presents an overview of the literature on discretion.

A closer look at the literature on discretion in management research, revealed a one-sided view of discretion as an externally endorsed latitude of action. Management research in discretion is therefore narrowed to a focus on managerial positions, since these are the kinds of positions endowed with greater levels of freedom in decision making. However, other fields of research such as ethics, public service, and law bring a different perspective to the concept of discretion. By borrowing from these fields, discretion unfolds as a bilateral phenomenon that in this thesis, is theorised to be extrinsic as well as intrinsic in nature. The distinction between extrinsic and intrinsic discretion is important for a better understanding of the moral component of discretion, in the form of individual belief systems that underpin decisions. Exactly how individual beliefs impact discretionary decisions has thus far been neglected in management research of the topic. One way of addressing this is by examining the interrelation between the theories of discretion and ethical decision making.

The third section of this chapter therefore seeks to form an understanding of the intersection between discretion and the ethical decision making process. Ethical decision making is typically distinguished from other decision making processes for the presence of a moral component to the decision. The judgement phase of ethical decision making is of particular interest for a study of discretion, since this is the phase where the decision maker is required to decide which course of action is morally right. In the judgement phase the tension between flexibility and uniformity is most pronounced; it is in this phase where individuals are either guided by overt prescriptions and endowed latitude of action (promoting uniformity) or by more covert personal beliefs and values of what the correct options would be (promoting flexibility).

Management research emphasises the effect of various factors related to the external environment, organisational environment, and the individual on the use of discretion in organisations. However, scholars argue that individual factors have

been neglected in favour of organisational and extra-organisational factors (Arnaud & Wasieleski, 2014; Hutzschenreuter & Kleindienst, 2013; Li & Tang, 2010; Zhao, Chu, & Chen, 2010). In addition, the studies are overwhelmingly objective. The current study uses a subjective research approach and seeks to explore how individuals understand the various factors that affect their ability to use discretion in the workplace. The literature review will therefore offer a review of the factors that affect discretionary abilities, but will do so by synthesising it with the factors that impact ethical decision making. This amalgamation will be offered at the end of the literature review on ethical decision making.

In short, this chapter will present a novel view of discretion and ethical decision making by looking at the use of discretion in organisations through a MacIntyreian lens. At the end of the chapter, the questions that lead this enquiry of discretionary decision making in organisations are presented.

2.2 MacIntyre: A traditional approach to moral enquiry

This section provides a brief overview of MacIntyre's approach to moral inquiry by juxtaposing it with the encyclopaedic view (philosophy as a science) and the genealogy or post-modern approach to morality. MacIntyre's traditional approach is offered here as an alternative to these two approaches and is used to describe organisations as moral spaces. MacIntyre's philosophy as it applies to organisational life is illustrated schematically at the end of the section. This diagram will later be used to demonstrate a previously overlooked link between discretion and morality, which forms is central to this thesis.

Alisdair MacIntyre (born 1929) is regarded as one of the most prominent figures in current moral philosophy. His best known work *After Virtue* first published in 1984, continues to be of great influence in the field of virtue ethics (Torralba & Palazzi, 2010). MacIntyre examines three major rival traditions of moral inquiry: encyclopaedic; genealogical; and traditional.

The *encyclopaedic* tradition favours philosophy as a scientific subject similar to that of chemistry and astronomy (Bungum, 2012; Gifford Lectures, 2014). From an encyclopaedic point of view, all sciences rely on data and facts. MacIntyre sees the encyclopaedic approach as still the most influential in moral philosophy (Belgau, 2012). However, he does not believe that the science of natural theology (which includes the foundations of ethics) has made any progress, neither that it has achieved any agreement on what the standards of such progress should be. Encyclopaedists, according to him, do not share an agreed starting point for enquiry, have no uniform understanding of the reasons for holding certain beliefs, and their logical reasoning does not produce any justification of substantive beliefs.

The *genealogy* approach is a post-modern approach promulgated by Nietzsche who seeks to undermine the encyclopaedic tradition (Katz, 2012). In essence, the genealogy approach differs from the encyclopaedic approach in the way that truth and morality is viewed. For Nietzsche and his followers, truth is nothing but an illusion. It is seen as merely a point-of-view (Belgau, 2012), or a multiplicity of perspectives and idioms instead of one single unified truth. New points-of-view are not achieved through reasoning, but rather through action. Through participation and response to activity, different perspectives become available (Katz, 2012). Genealogists see the encyclopaedic approach as negative and repressed, and hiding behind a 'mask' of fixity and objectivity (Selznick, 1952).

However, MacIntyre identifies an internal inconsistency in the genealogy tradition. Although subscribers to this tradition loath fixity, he does not believe that the genealogist can achieve clarity and intelligibility without the same beliefs and allegiances that are precluded by a genealogical stance. Genealogists write books, presumably to be criticised by others, yet how can such books be written without taking a fixed stance? MacIntyre believes that genealogists cannot avoid falling back into an academic mode when they need to characterise, explain and evaluate their own projects (Katz, 2012).

Both the encyclopaedic and the genealogy approaches are inadequate to lead moral enquiries. Neither the encyclopaedic nor the genealogy approach provides a stable foundation or agreement for essential beliefs. The encyclopaedic view relies heavily

on data and facts without an agreed understanding of the reasons why certain beliefs are held while the genealogy approach sees truth as an illusion or merely a point of view. MacIntyre argues that a third approach, which could address the flaws of these two approaches, is required. He therefore offers '*tradition*' as an alternative point of view (Okon, 2016).

2.2.1 Tradition: A third Alternative

Tradition is described by MacIntyre as a rational attempt of moral enquiry that requires participation in a particular tradition of moral practice (Van Alstyne, 2012). This tradition builds on the Aristotelian view that the condition of truth is a mind-object relationship with the focus on the human as a thinker or perceiver who ultimately desires self-actualisation. MacIntyre's traditional approach is also rooted in Aquinas's notion of philosophy as a craft, and the philosopher as an apprentice. To take on such craft, one had to become as an apprentice in a tradition where certain virtues are historically esteemed. Since the apprentice does not understand the history and virtues of the tradition, a master is needed from whom to learn what good from the past could be applied as a guide for the future. The apprentice carries a personal narrative which act together with the narrative of the craft, both of which then become the scope of the craft (Clark, 2012). Presupposed in the learning within a community is an ultimate good, which lies outside the soul. Aquinas holds that man's ultimate first cause is the last end to which we aim. This last end is specified in divine revelation (Clark, 2012).

With the traditional approach, MacIntyre maintains that there is a truth about human life to be discovered, but this is only possible through communal living. Communal living makes the individual accountable to others with whom the community is shared (Belgau, 2012; Okon, 2016). As part of a community, individuals are expected to re-evaluate their personal beliefs and judgements in an honest and truthful way when challenged by others.

2.2.2 MacIntyre and organisational life: a schematic presentation

To aid understanding of MacIntyre's philosophy and its application to organisational life, five central concepts: communal life, telos, practices, goods, and

virtues will next be described and subsequently presented schematically. As pointed out in the beginning of this section, the diagram will later serve to demonstrate a vital link between discretion and morality in organisations.

1. MacIntyre desires a return to *communal life*. To address the current moral confusion in society he proposes that we learn from institutions in the past and modify them to suit the conditions of the modern world. He points to heroic society as an example where the focus was not on individuals and their search for autonomy and control. Rather, individuals had positions (each with its own obligations and privileges) that only made sense in the context of society (Clayton, 2005). Consequently, everyone understood that they needed to do what was appropriate for a person in a position such as theirs, namely to show regard for others, meet obligations, and do what their duty requires them to do. In such a society, MacIntyre believes a true moral code was possible. The code would be based on a shared and agreed end of the society, and the best way to achieve it, would be for each to fulfil their proper role and tasks. Individuals would also agree on what the virtues are: “*those traits that make it possible for them to carry out their obligations as they ought in order to bring about the best possible life for the society as a whole*” (Clayton, 2005, p.8). The concept of a *life narrative* furthermore indicates the unity that MacIntyre desires as opposed to the fragmented, compartmentalised conception of modern human life. Individuals become part of a communal narrative, their individual narratives each growing into a story with a beginning, middle, and end: the end being the telos, or final purpose.
2. The *telos* is at the heart of Aristotelian philosophy and is a state of happiness reached through living a virtuous life. The telos is not individually determined, and neither is the individual’s decision whether to try to achieve it, but those who do not achieve it, could be held responsible for it. Thus for a community who expresses a shared telos, morality has context and meaning (Clayton, 2005).
3. MacIntyre describes a *practice* as “*Any coherent and complex form of socially established cooperative human activity through which goods internal to that*

form of activity are realised in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of that form of activity, with the result that human powers to achieve excellence, and human conceptions to the goods involved, are systematically extended” (MacIntyre, 1981, p.175). From this definition, it follows that a practice is a social activity, leading to both internal and external goods.

4. (a) *Internal goods* are best explained by MacIntyre’s example of a child learning to play chess. Initially the child may learn in order to receive rewards such as money or candy, but in time, the child continues to learn for the goods internal to the game, for example analytical skill and strategic imagination. The accomplishment of such internal goods does not only benefit the individual but also the community of practitioners that he or she belongs to (Cornell, 1985; Fitzmaurice, 2010).

(b) *External goods* are described as results of social circumstance such as money, power and fame, and ends up as someone’s property. Competition is involved with the acquiring of external goods: the more I have the less for you to have (Clayton, 2005). Internal goods are measured in terms of excellence; whereas external goods are measured in terms of effectiveness.

Newcomers to a practice have to accept external standards, follow rules and achieve goods. The rules only change when the community agrees and are usually done with the intent to more fully develop the principles of the practice. Rules and principles originate from the past, and are considered binding on the present. Although MacIntyre does not promote a blind loyalty to the past, he explains that the past does have to be taken into account in planning for the future (Beadle & Moore, 2011).

5. To achieve healthy practices and communities, *virtues* are important. MacIntyre argues that virtues should be confronted on three different levels: First, that it is a quality enabling individuals to carry out their social roles; secondly, that it enables individuals to move toward the achievement of the human telos; and thirdly that it has utility in achieving earthly and heavenly success. He

consequently formulated the next definition of a virtue: “...*an acquired human quality the possession and exercise of which tends to enable us to achieve those goods which are internal to practices and the lack of which effectively prevents us from achieving any such goods*” (MacIntyre, 1981, p.178). An understanding of the overriding telos of human life is important when individuals need to decide between conflicting goods associated with different practices. Individuals will be able to decide which goods to pursue if they are able to judge which goods best serve the achievement of the telos (MacIntyre, 1981).

With a better understanding of what the above concepts entail, the researcher designed a schematic presentation of MacIntyre’s view of organisational life (Figure 2.1). This is offered next followed by a summary of the way in which these concepts interact within an organisational setting.

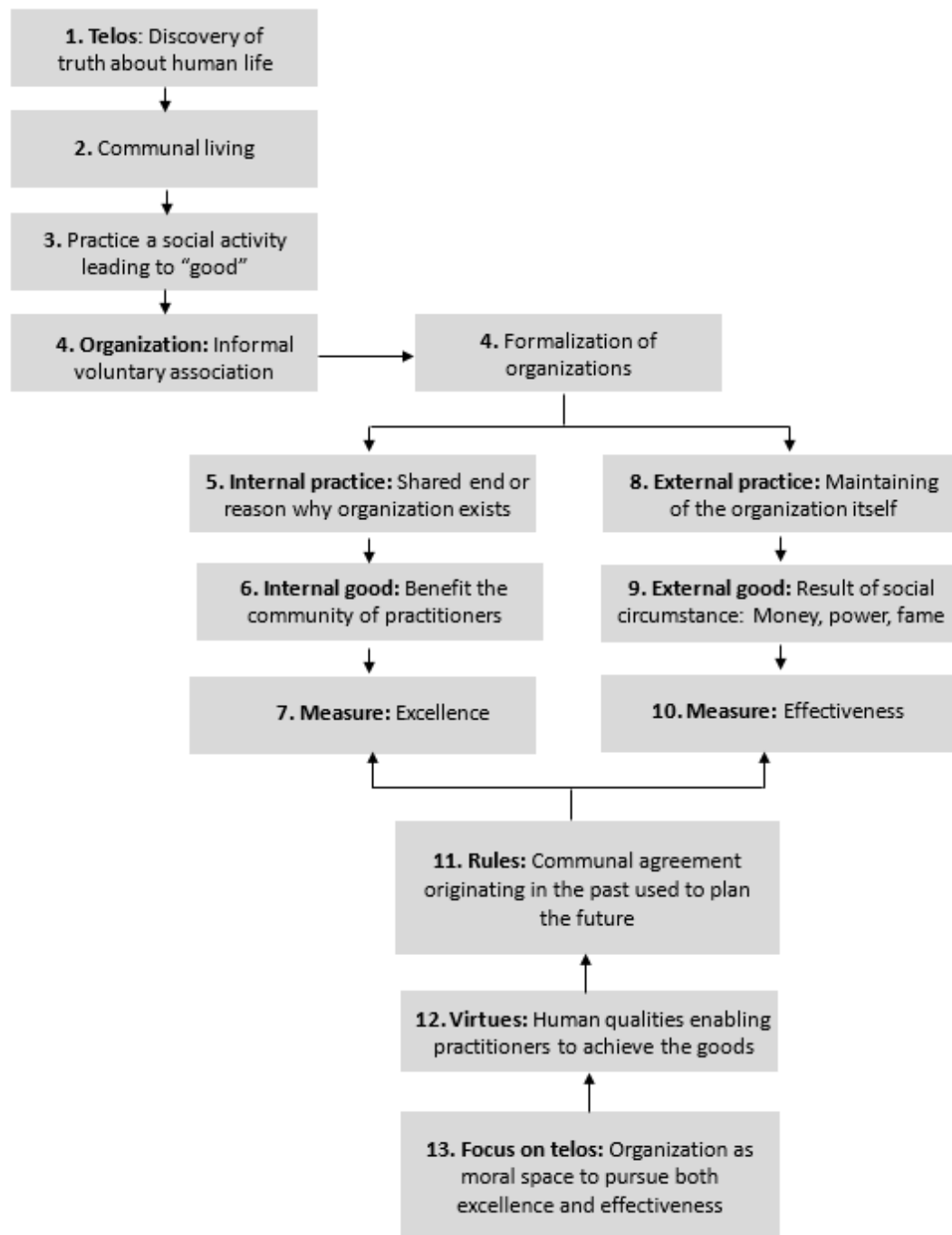


Figure 2-1 Researcher's synopsis of MacIntyre's traditional view as it applies to organisations

Moral organisations provide a favourable environment for the exercise of discretion. First, these organisations understand and strive for the achievement of the overriding telos (1) or shared and agreed 'end' of society. The telos is determined by communal agreement (2) and provides context and meaning for moral organisational practices. A practice is an activity that leads to social good (3). Individuals group together (initially in an informal way) to participate in a certain

‘practice’ and in this way organisations are formed. As organisations grow, their activities become more formalised (4). An organisation has a shared end goal or internal practice (5); a product or service that contributes to the good of human kind (6) and is measured in terms of excellence (7). Excellence in practice leads to mutual benefit for the organisation, organisational members, and others who benefit from the internal good. In formalised organisations, external practices (8) are those activities that enable the organisation itself to support the pursuit of the internal practice. The pursuit of external practices leads to individual benefits, usually in the form of money, power, and fame (9), and is measured in terms of effectiveness (10). In organisations where internal and external practices are in balance, individuals have a moral code by which to abide. The moral code is made up of communal rules that are trusted and have been tried over time (11). It has a historic origin, and persists in the planning of future endeavours – with the purpose of ultimately achieving the *telos*. To achieve the goods internal to practices, individuals need virtues, or qualities that enable them to achieve those goods (12). In addition to the virtues, an understanding of the *telos* is necessary when individuals need to make a decision on which goods to pursue (should there be a clash of goods due to the pursuit of different practices). Organisations that are focused on the overriding *telos* (13) provide moral spaces for the pursuit of both organisational excellence and effectivity.

To conclude this section, and before attention is turned to the literature on discretionary decision making, five points of MacIntyre’s traditional enquiry that are of significance to this thesis are pointed out here: First, the *telos* is a collective expression of an ultimate goal which has its origin outside of the organisation, signalling the interrelationship between society and organisations. Second, the *telos* and the *internal good* (the purpose for which the organisation exists in the first place) serve as light beacons for moral organisational decisions: organisational pursuits need to stay in keeping with the original goal for which the organisation exist in the first place, and also need to align with the moral expectations of society. Third, a prerequisite for the pursuit of external good is that it not outbalances the pursuit of the internal good. Fourth, to safeguard both excellence and effectiveness in organisations, members need to subscribe to established organisational rules and

regulations. Fifth, virtuous qualities enable individuals to contribute to a balanced pursuit of organisational goals.

Points four and five above are of particular interest to this study. The balance between excellence and effectiveness, (or internal and external practices) is crucial to preserve organisations as moral spaces. Underlying this balance, are the actions of individual organisational members. Their actions are preceded by decisions; and central to discretionary decision making is the virtuous application of organisational rules and regulations. To act virtuously, individuals require an understanding of communal values or the transcendental guiding principles of the community they belong to (Crossan, Mazutis, & Seijts, 2013; MacIntyre, 2007; Okon, 2016; Schwartz, 1996). In other words, a balance of organisational effectiveness and efficiency depends on individuals' ability to balance rules and principles in their decisions and actions.

The use of explicit regulation as well as abstract guiding principles is at the heart of discretionary decision making, which is dealt with in the next section of this chapter. An overview of the literature on discretion showed that organisational research mostly deal with the phenomenon as a preconceived, controlled granting of leeway to people in particular organisational positions. In the next section it will be argued that this kind of discretion is mostly rule based, albeit allowing for a more or less stringent application of such rules. However, the exercise of discretion is also dependent on principled or values based decision making, especially when rules are vague or absent. Although this approach to discretion is recognised in management research, it is less apparent. The dual approach to discretion in the form of intrinsic and extrinsic discretion is an attempt to bring a more balanced approach to discretionary research in organisational studies.

2.3 Discretion

There is potential to enrich the current research on discretion in organisations by examining its link with morality (Arnaud & Wasieleski, 2014) the area that the current research study aims to contribute to. The previous section revealed that

morality in organisations is preserved by safeguarding the balance between internal and external organisational practices, as theorised by MacIntyre. Individual decisions (guided by communal regulations and its underlying principles) underpin this vital balance.

However, as businesses grow and become more institutionalised, regulation increase and with it the danger of overemphasising the organisation's external practices (that is, the secondary practices which ensure the survival of the institution). Regulation holds a wide variety of benefits for organisations (Alexander, 1999; Arjoon, 2006; Borowski, 1998; Bowie, 2009; Elçi & Alpkın, 2009; Gössling, 2003; Hegarty & Sim, 1978; Hendrickson & Harrison, 1998; Jackman, 2004; Koh & Boo, 2001; North, 1990; White & Lam, 2000), but highly regulated environments interfere with individuals' resourcefulness and innovation in novel situations; in other words their ability to use personal discretion (Abdolmohammadi & Baker, 2006; Kaufmann, 1997; Myint, 2000).

The discussion on discretion offered here illustrates how a focus on external practices distracts attention from the moral component of individual discretion. This is achieved by making an important distinction between two forms of discretion; extrinsic and intrinsic discretion. *Extrinsic discretion* is mostly propagated by business researchers, and is a narrower view of discretion as a prerogative associated with certain organisational positions. *Intrinsic discretion* on the other hand is a broader view of discretion that transcends rank and status and instead is associated with all individual members, regardless of their positions in the organisation.

2.3.1 An 'extrinsic' view of discretion

An early definition of discretion in organisational studies is that of March and Simon (1958) who defined it as *the freedom of action that individuals have available to them*. The use of discretion in organisations has been researched as early as 1966, when workers' judgements in the performance of their duties was examined in terms of which tasks to perform, how to perform them, and the sequence in which to complete them (Bell, 1966). Discretion in the workplace has similarly been associated with options pertaining to task procedures (Hackman &

Oldham, 1980) and determined by organisational design (Stea, Foss, & Foss, 2015). Hackman and Oldham (1980) indeed defined discretion as the degree to which a task provides freedom and independence to individuals to determine the procedures they will use.

Hambrick and Finkelstein's (1987) renowned work "Managerial discretion: A bridge between polar views of organizational outcomes" became a cornerstone for subsequent research studies on discretion and has been adopted by researchers in diverse management fields: business strategy (e.g. Phillips, Berman, Elms, & Johnson-Cramer, 2010; Zhao et al., 2010), information systems (e.g. Preston & Chen, 2008), entrepreneurial studies (e.g. Kearney, Hisrich, & Antoncic, 2013; Li & Tang, 2010), public administration (e.g. Avellaneda, 2013), economics (e.g. Li & Simerly, 2002), business ethics (Loyens & Maesschalck, 2010), and human resource management (e.g. Chuang, Chen, & Chuang, 2013). Related fields such as psychology (e.g. Scott et al., 2009) also draw on Hambrick and Finkelstein's theory of managerial discretion.

Hambrick and Finkelstein aimed to reconcile two opposing views of top managers' effects on firm performance. Strategic management maintained that top managers greatly influenced what happened in their organisations, while population ecology and new institutional theory held that executives had little effect due to external forces which constrained their actions via a host of conventions and norms (Hambrick, 2007). Hambrick and Finkelstein introduced the theory of managerial discretion, which recognised both views. Managers' effects on firm performance according to them vary, depending on how much managerial discretion or *latitude of action* is permitted. They argue that the discretionary action taken by managers will be the result of a diverse combination of environmental conditions, organisational elements, and individual factors.

Although Hambrick and Finkelstein's theory of managerial discretion recognises the interaction between external, organisational, and individual factors, much of the research based on this theory focus on environmental and organisational factors. Contemporary researchers remark that individual factors are mostly neglected in topics relevant to research on discretion in organisations (Arnaud & Wasieleski,

2014; Li & Tang, 2010). Consequently, the concept of discretion in organisation studies mostly describe discretion as options that are externally determined and associated with the type of task that individuals are required to perform. Olk and Elvira for example define discretion as “...the extent to which individuals are able to act for themselves or for the organization” (2001, p.128) but this ‘ability to act’ is associated with the role and not with the individual. Similarly, Stea, Foss and Foss (2015) refer to discretion as the delegated responsibility of employees to choose actions within specified limits.

Options available to organisational members in positions with assigned discretion are furthermore bound by direct or indirect prohibitions determined by organisational stakeholders. Thus managerial discretion is associated with issues of power and inertia (Finkelstein & Peteraf, 2007) and is thought to be a function of stakeholder power to block undesirable actions (Crossland & Hambrick, 2011). The level of power and inertia varies according to the context within which individuals exercise discretion. Restrictive or strong contexts are heavily regulated, and individuals will consequently have fewer options from which to choose their actions. Conversely, less regulated or weak environments allow a wider range of options for implementing action (Carpenter & Golden, 1997; Crossland & Hambrick, 2011; Shen & Cho, 2005).

Table 2.1 provides a summary of this extrinsic view of discretion as described by the preceding management and organisational researchers:

Table 2-1 Factors associated with extrinsic discretion

Factor	Authors	Year	Publication
Freedom of action	March and Simon	1985	Organizations
Judgement in performance of duties	Bell	1966	Academy of Management Journal
Options in task procedures	Hackman and Oldham	1980	Book: Work Redesign
	Ste, Foss and Foss	2015	Journal of Organization Design
Latitude of action	Hambrick and Finkelstein	1987	Research in Organizational Behavior
The role not the individual	Olk and Elviera	2001	Group and Organization Management
	Stea, Foss & Foss	2015	Journal of Organization design Journal of Business Ethics
	Wu et al	2015	
Power and control	Finkelstein and Peteraf	2007	Strategic Organization
	Crossland and Hambrick	2011	Strategic Management Journal
Contextual regulation	Carpenter and Golden	1997	Strategic Management Journal Academy of Management
	Shen and Cho	2005	Review
	Crossland and Hambrick	2011	

The term ‘extrinsic discretion’ has been chosen to refer to the type of discretion as described above. According to this approach, discretion is a prerogative associated with the position that a person fulfils. Although leeway is allowed, the scope of options that decision makers can choose from remains restricted by external forces. In other words, organisational objectives formulated by strategic leaders dictate the range of options and this is communicated to employees through organisational policies and guidelines. For instance, to maximise commercial contributions to the

organisation, managers may be given the leeway to take calculated risks. However, parameters of such risk taking will be stipulated in relevant policies and guidelines. Stea, Foss and Foss (2015) for example describe discretion as the formal right that employees have to choose actions *within specified limits*. Employees may be given latitude to meet or exceed customer needs, but limits within which action can be taken will similarly be restricted through organisational policies. Furthermore, the prerogative to take calculated risks or to act in favour of customers will be reserved for people who occupy particular positions in the organisation, such as strategic leaders and sales managers.

In short, latitude of action is a prerogative assigned to employees who occupy particular positions in an organisation and the choices they make is restricted by predetermined parameters. For the purposes of this research, extrinsic discretion is therefore defined as:

The externally determined levels of freedom assigned to individual organisational members in the selection and execution of tasks.

Next, the intrinsic view of discretion that highlights the link between discretion and morality is explained. This will be followed by a discussion of the various factors that impact employee ability to use discretion in organisations. Various contextual factors create either weak or strong environments, which determine the levels of restriction placed on discretionary decision making.

2.3.2 An ‘intrinsic’ view of discretion

The preceding discussion emphasised discretion as options that are externally determined, associated with the task, and subject to regulation. However, discretion is also a potential inherent to individuals, rather than leeway assigned to them. To this extent Freeman (1984) argues that discretionary decisions stretch beyond external and organisational factors, while Cox, Hill and Pyakuryal (2008) maintain that discretion is associated with the person rather than the position. Consequently, discretion cannot be delegated to individuals based on explicit criteria. When discretion is allocated to a position, there is no guarantee that the individual occupying the position will be able to exercise discretion responsibly when it is

called for. Rather than being externally allocated and controlled, discretion is “a sphere of autonomy within which one’s decisions are to some degree a matter of personal judgement and assessment” (Galligan, 1990, p.8).

To exercise discretion requires substantial human interpretive work and individuals therefore exercise discretion differently based on personal interpretations of the situation and the belief that options are available in deciding on appropriate courses of action (Baldwin, 1995). The options available to the individual might be externally determined and ranked according to standards, but the assessment of those choices depends on the attitude that the decision maker has towards them. Some individuals have a greater desire to exercise decision latitude and such people are able to move against restrictive and inflexible norms. They are able to do this because they are more likely to not only use quantitative information in weighing up options, but to also use ‘softer’ qualitative information (Bone & Mowen, 2010). Examples of qualitative information are the character, demeanour, appearance, and testimonials of others involved in the situation; communication from respected social ties; involvement in social groups; and perceptions about levels of education, courtesy and politeness of those to whom the discretionary decision pertains (Bone & Mowen, 2010).

Importantly, Paul (1993) proposes that there is an ethical aspect to the exercise of discretion, and individuals who use their discretion wisely exhibit important values such as courage, which allows them to be critical in their appraisals regardless of negative reactions. They have a healthy level of curiosity that inspires an interest in deep understanding and learning. Their intellectual empathy helps them to accurately understand and present the viewpoints of others, and due to high levels of integrity they are able to honour the same standards that they hold others to (Paul, 1993). They exhibit humility by being aware of the limits of their own and other’s knowledge. Through persistence, they are willing to struggle with confusion and unsettled questions.

Researchers in fields outside of management, for example law, public service and ethics, place more emphasis on discretion as a personal ability, as illustrated in Table 2.2. From their vantage point the exercise of discretion, depend on

individuals' desire and ability to interpret qualitative information, and to make personal judgements based on values and internalised norms, rather than explicit regulation.

Table 2-2 Factors associated with intrinsic discretion

Factor	Authors	Year	Publication
A person not a position	Cox, Hill et al	2008	Public Integrity
Personal judgement and assessment	Galligan	1990	Book: (Law)
Personal interpretation	Baldwin	1995	Rules and Government
Levels of desire to exercise decision latitude	Bone and Mowen	2010	Journal of Service Research
Qualitative information	Bone and Mowen	2010	Journal of Service research
Values (courage; curiosity; intellectual empathy; humility; integrity; persistence)	Paul	1993	Foundations for Critical Thinking
Internalised norms	Arnaud and Wasieleski	2014	Journal of Business Ethics

When the focus shifts from the external environment to the individual, the definition of discretion should be adjusted to mirror the effect of internal factors on the exercise of discretion. Intrinsic discretion for the purpose of this paper is therefore seen as:

The personal desire and ability of individuals to make values based judgements in the execution of tasks regardless of external determinants.

It has been established by previous researchers that not enough is done to examine the effect of individuals' internalised norms on discretion (Arnaud & Wasieleski, 2014; Elms, Brammer, Harris, & Phillips, 2010) and that management researchers

should do more to bring “moral substance” to the concept of discretion (Arnaud & Wasieleski, 2014, p.318). By adopting an intrinsic approach to discretion, management research will be in a better position to do so.

A comparative analysis of extrinsic and intrinsic discretion highlights tension points between the two approaches. On the one hand, discretion is seen as a level of freedom that is awarded to specific individuals in organisations, and on the other hand, it is seen as an individual ability regardless of whether it has been allocated to the person from external sources. The differences between the two approaches are detailed next.

2.3.3 A comparative analysis of Extrinsic and Intrinsic discretion

Six differences between an extrinsic and an intrinsic approach to discretion are summarised in table 2.3 below. First, from an extrinsic perspective discretion is associated with the role that the individual occupies, while an intrinsic view places discretion not with the position, but with the person in the role. Second, latitude of action may be awarded to the role but the extent to which it will be used depend on the levels of desire that an individual has to exercise discretion. Third, options that are offered to the individual to select from may be constrained through the exercise of power and control in organisations, but these options could be superseded by the individual’s courage to act in defiance of prescription. Fourth, options in task procedures are potentially subject to the personal interpretation of the individual who is required to carry out the task. Fifth, contextual regulation may take quantitative information into account, but qualitative information pertaining to each specific situation cannot be included in pre-determined prescriptions. In the sixth place, the judgement required from individuals pertains to the performance of duties from an extrinsic point of view. From an intrinsic perspective, an individual’s capacity for personal judgement and assessment stretch to areas beyond task execution.

Table 2-3 Comparison between extrinsic and intrinsic discretion

Extrinsic discretion	Intrinsic discretion
The role over the individual	The individual over the role
Latitude of action	Levels of desire to exercise latitude
Power and control	Values
Options in task procedures	Personal interpretation
Contextual regulation	Qualitative information
Judgement in performance of duties	Personal assessment

To clarify the distinction between intrinsic and extrinsic discretion further, the next section focuses on the characteristics of the tasks performed by individuals in organisations; and how these characteristics pertain to the use of extrinsic and intrinsic discretion.

2.3.4 Extrinsic vs. intrinsic discretion and task characteristics

Understanding of the two different approaches to discretion can be improved by considering task characteristics. Caza (2012) offers a multidimensional typology of discretion by which he identifies eight domains of discretion that are related to each other by virtue of task/relationship and internal/external focus. Finkelstein and Peteraf (2007) describe discretion in terms of the complexity, uncertainty, and observability of the task and Scott, Colquitt and Paddock (2009) explain high and low discretionary actions. Each of these views will first be described and then brought together with the extrinsic/intrinsic view of discretion.

Caza (2012) distinguishes eight domains of discretion: effort, goal, technical, staffing, buffering, civic virtue, interpersonal style, and support (these domains and a short description of each are included in appendix 1). It is however his theoretical expression of these domains in a circumplex model that helps to illustrate and understand the intrinsic and extrinsic approaches to discretion. The circumplex illustrates domains that are closely related to each other by virtue of its task/relationship focus and internal/external focus. The circumplex for example positions the discretionary domains of technical and interpersonal style opposite each other. As illustrated in table 2.3 above, the extrinsic viewpoint of discretion

fits the domain of technical decisions or ‘options in task procedures’. Latitude over technical decisions can be allocated to a position without much difficulty. The level of discretion is allocated to the role, and those who occupy the role receive clear guidelines in terms of options available to them. Parameters within which decisions about methods, schedules and materials are allowed are pre-determined and controlled by the application of organisational rules and regulations.

Discretion over relational behaviour on the other hand is not quantifiable and pertains to discretionary actions that require personal interpretation of qualitative information (see table 2.3 above). Different to technical tasks that are associated with particular positions, interpersonal relationships are part of every position in an organisation. Discretion in maintaining relationships is therefore of an intrinsic nature, and dependent on internal regulation through personal values. In maintaining relationships, judgement is not restricted to pre-determined choices as in the case of technical task execution, but rather relies on personal assessments in situations that are more prone to be unpredictable than in the case of technical tasks. Although interpersonal relationships are part of every aspect of organisational life, there are instances when higher levels of interaction are required, such as with tasks that fall into the ‘support’ domain of Caza’s circumplex. Organisational policies and guidelines can regulate these relationships to a certain extent, but it will remain more complicated than the regulation of technical tasks. This is due to the intrinsic qualities of complexity, uncertainty, and observability of these different activities.

Complexity, uncertainty, and observability have been identified by Finkelstein and Peteraf (2007) as task characteristics that impact discretion. Complex activities cannot always be broken down into discrete elements, and are more difficult to constrain. Uncertainty pertains to the sequential path of a task. As the levels of uncertainty in task performance increases, so will the demand on task executioners to use their discretion. If the activity has significant tacit elements, such as in the case of interpersonal relationships, more discretion will similarly be required.




Scott, Colquitt and Paddock (2009) likewise explain high and low discretionary actions. According to these authors, higher levels of discretion are required for actions that are less observable, more encounter based, less constrained by systemic

factors, and less costly. For example, interpersonal actions require higher levels of discretion due to the sensitivity and privacy of some communications. They furthermore explain that low discretion activities are more observable, less encounter based, more constrained by systemic factors, and costlier. Distributive action such as resource allocation is offered as an example of low discretion actions.

The advances made by research in discretion as illustrated by the three theories above, is helpful to better understand individuals' use of discretion in the workplace. Finkelstein and Peteraf (2007) and Scott, Colquitt and Paddock (2009) succeed to show that different tasks require different levels of discretion to be exercised by the decision maker. However, this distinction still does not particularly encourage research into the use of discretion beyond management levels. With his circumplex of discretion, Caza is moving in the right direction. The identification of eight domains of discretion creates more interest in determining how these domains apply to employees regardless of their position in the organisation. It is for example made more obvious that any employee can exercise discretion in the level of effort they exert, even in the absence of discretion over the kind of task to be performed, and the processes to apply. For instance, a data entry clerk has virtually no discretion over the type of data to entry, or the programmes used in the process. However, discretion can be exercised in the amount of effort exerted in entering the data. In addition, the clerk may have ideas to help improve the efficiency of the business unit, but can exercise discretion in sharing these ideas with superiors and co-workers. Employee effort and participation can hardly be controlled by organisational regulations and policies; instead decisions to engage remain at the discretion of employees, based on their internal values and belief systems, which fits the profile of intrinsic discretion. Reflection on and application of intrinsic values and beliefs in decision making signal the important link between discretion and ethical decision making which will be discussed in the third section of this chapter.

Table 2.4. below offers a synthesis of the previously discussed theories of discretion and illustrates how task characteristics helps to explain the proposed notions of extrinsic and intrinsic discretion.

Table 2-4 Synthesis of extrinsic discretion, intrinsic discretion, and task characteristics

	
Activity characteristic	Activity characteristic
<i>Finkelstein and Peteraf (2007)</i>	<i>Finkelstein and Peteraf (2007)</i>
Simple	Complex
Certain	Uncertain
Observable	Unobservable
<i>Caza (2012)</i>	<i>Caza (2012)</i>
Technical	Effort
Goal	Interpersonal style
Staffing	Support
	Civic virtue
	Buffering
<i>Scott, Colquitt & Paddock (2009)</i>	<i>Scott, Colquitt & Paddock (2009)</i>
Observable	Less observable
Costly	Less costly
Exchange based	Encounter based
	
Extrinsic discretion	Intrinsic discretion
The role over the individual	The individual over the role
Latitude of action	Levels of desire to exercise latitude
Power and control	Values (courage; curiosity; intellectual empathy; humility; integrity; persistence)
Options in task procedures	Personal interpretation
Contextual regulation	Qualitative information
Judgement in performance of duties	Personal assessment

To form a better understanding of the way in which discretion (in particular intrinsic discretion) is exercised, we need to know more about the level of moral agreement that exist between employees in the current work environment. Not enough research is carried out to examine the effect of individuals' internalised norms on discretion (Arnaud & Wasieleski, 2014; Elms et al., 2010). The many other researched factors associated with discretion are crucial in understanding discretion in the work place, but there is an onus on current researchers to address the remaining knowledge gap on the effect of individual belief systems on the exercise of discretion.

Regulations are rooted in abstract, universal principles (Singhapakdi, Sirgy, Lee, & Vitell, 2010) which exist through common agreement (MacIntyre, 2007). Individuals may need to grasp these underlying principles, especially in situations where few concrete rules are found (Cunningham, 2007). Rule following can take place without moral reasoning (Alexander, 1999) but in the spaces between rules individuals need to use their interpretive abilities to judge between right and wrong (Baldwin, 1995; Dworkin, 1977; Hawkins, 1992). Knowing the principles that are foundational to explicit rules can assist moral decision making in a variety of situations (Arjoon, 2006).

As illustrated in table 2.4, the exercise of intrinsic discretion compels individuals to interpret qualitative information, reflect on individual values; and to make decisions by using personal judgement and assessment. Therefore, the third part of this literature review discussed in the next section focuses on ethical decision making. By doing so it will become clear how the distinction between extrinsic and intrinsic discretion helps to bring a moral aspect to discretion. The aim of the literature review on ethical decision making (EDM) is to explain how discretion and EDM intersect, and to illustrate how morality becomes part of the theory of discretion. However, before the literature on EDM is discussed, an overview of the factors that impact the use of discretion in organisations is necessary.

2.3.5 Factors that impact discretion: Individual, organisational and external environment

The contexts within which individuals live and work significantly impact their discretionary decision making (Kujala, Lämsä, & Penttilä, 2011; Schweitzer &

Hsee, 2002; Tenbrunsel & Messick, 1999; Zhong, Bohns, & Gino, 2010). Much research attention has thus been devoted to factors in the organisational and extra-organisational environment that impact discretion. Some researchers claim that individual factors have a weaker influence on decisions than organisational factors (Scott, 1997) and that it becomes less important under conditions of environmentally restricted discretion (Scott et al., 2009). Although some attention has been devoted to understand the individual factors that impact employees' abilities to use discretion, scholars argue that these factors have been neglected in favour of an emphasis on organisational and extra-organisational factors (Arnaud & Wasieleski, 2014; Hutzschenreuter & Kleindienst, 2013; Li & Tang, 2010; Zhao et al., 2010). To describe the external environment, Dess and Beard's (1984) dimensions of organisational task environments (munificence, dynamism, and complexity) are frequently solicited in research on discretion (Boyd & Gove, 2006; Goll & Rasheed, 2004; Kearney et al., 2013; Koberg, Chesley, & Heppard, 2000; Simerly & Li, 2000; Zhao et al., 2010). Research on organisational task environments continues to be mainly objectivist.

In appendix 2 an overview of the examined research on factors that have been found to affect discretion are presented. Although this is by no means an exhaustive list, important conclusions can be made. A summary of these conclusions are presented here, but more detail is available in appendix 2. First, *extra-organisational* factors such as dynamism, munificence, complexity and quasi-legal constraints affect the exercise of discretion. Dynamic environments are associated with increased legislation to help managers cope with uncertainty. Increased legislation in turn depresses the use of discretion. Complex environments and quasi-legal constraints similarly reduce the opportunity to use discretion. Munificent environments on the other hand encourage the use of discretion. Second, *organisational* factors such as inertia, capital intensity, resource availability, and powerful sources affect the exercise of discretion. Older, larger, and mechanistic organisations provide less opportunity to use discretion while younger, smaller, and organically structured organisations provide more opportunity. Depending on the culture and climate of organisations, employees can either be encouraged or discouraged to use discretion. Capital intensity restricts the use of discretion while the availability of resources encourages the use of discretion. CEO's with structural power and significant

shares in the organisation will also enjoy more leeway in their decision making. Thirdly *individual* demographical factors, personality, commitment, self-efficacy, cognitive ability, and aspiration have been examined for its impact on discretion. Demographical factors such as age, gender, race, and education have been found to have little to no effect on the exercise of discretion. Certain personality traits are strongly associated with the use of discretion: Individuals with higher levels of extraversion, agreeableness, emotional stability, openness to experience, and an internal locus of control, display an increased ability to exercise discretion. On the other hand, individuals with higher levels of conscientiousness and an external locus of control display a decreased ability to use discretion. Individuals with a predisposition to rule-following behaviour and an escalated organisational commitment are less willing to use their discretion. Individuals who are self-efficient, cognitively able, and ambitious are more likely to use discretion in decision making. Individuals who are loyal to organisational values are often trusted with higher levels of discretion.

Research studies that have so far been carried out to examine the factors that impact individual discretion have contributed greatly to our understanding of the phenomenon. However, these studies have almost exclusively been conducted from an objectivist viewpoint (see appendix.2). More can be learned by using an inductive research approach; which will improve our current understanding of how individuals interpret their environments. During this literature review, no interpretive studies have been found that were conducted to determine how individuals understand the environmental factors that impact their use of discretion in the workplace. The current research study has been designed to address this gap.

Section one of this chapter focused on MacIntyre's *traditional approach* to moral enquiry, and how it applies to organisational life. It was concluded that the pursuit of internal practices (the primary practice or reason why the organisation exists in the first place) and external practices (the secondary practices that ensure the survival of the organisation) must be kept in balance to promote the organisation as a moral space. This balance is achieved by the virtuous actions of individuals; guided by organisational regulations, but also by the values and principles that underpin explicit regulation. Section two of the chapter focused on discretion. In

particular, a distinction was made between extrinsic and intrinsic discretion. Extrinsic discretion is exercised within parameters set by organisational guidelines. These parameters differ for people in different positions within the organisation. Intrinsic discretion is exercised within personal parameters determined by internalised values and beliefs. Previous research indicated that individuals have higher and lower levels of discretion (leeway of action) available to them in task execution. However, by distinguishing between intrinsic and extrinsic discretion, the moral component of discretion becomes more apparent. In section two, it was furthermore explained that various factors pertaining to the individual, the organisation, as well as the external environment impact the exercise of discretion in important ways. The next part of this chapter focuses on ethical decision making, with the aim of illustrating the intersection between discretion and ethical decision making. This intersection is one suggestion of how the concepts of morality and discretion can be brought closer together.

2.4 Ethical decision making (EDM)

Although not all contemporary researchers recognise the need to separate moral reasoning from other types of reasoning (Crary, 2007; Elm & Radin, 2012) ethical decision making has traditionally been researched as a phenomenon distinct from general decision making processes. Fritzsche (1991) argues that this was done due to the moral dimension of the process. A widely accepted definition of EDM (Chau & Siu, 2000) is that of Jones who describes it as a decision that is “...*both legal and morally acceptable to the larger community*” while an unethical decision is “*either illegal or morally unacceptable to the larger community*” (Jones, 1991, p.367). This definition is consistent with definitions used by other authors in the in the field of ethics (Tenbrunsel & Smith-Crowe, 2008).

2.4.1 The ethical decision making process

The linear four-step model (awareness; judgement; intent; and action) developed by Rest (1986) continues to be the framework for much of the research in EDM (Craft, 2013; Lehnert, Park, & Singh, 2015; Martin & Parmar, 2012). However, arguments are made for a dual-processing model of ethical decision making which

includes an intuitive, subconscious, reflexive system and a higher order conscious reasoning process (Lieberman, Gaunt, Gilbert, & Trope, 2002; Woiceshyn, 2011). Haidt (2001) for instance proposes that ethical decisions are processed intuitively, and that rational sense making occurs after the fact. It is however the work of Martin and Parmar (2012) that is of particular interest to bring together the concepts of EDM and discretion.

Martin and Parmar (2012) return to Rest's model, but extend each step of the ethical decision making process to a continuum of underlying assumptions. Step 1, *awareness*, is placed on a continuum of 'individual construal'. On the objectivist end of the continuum, decision makers receive and uncover cues, issues, and correct answers, while constructivists on the opposite end engage in sense making or interpretation, either consciously or subconsciously. Step 2, *deliberation*, is protracted on a continuum of speed, where slow deliberation refers to deliberate cognition; and fast deliberation refers to an intuitive response. Step 3, *intent*, illustrates a range of reasons on a continuum of altruistic deontology to self-interested consequentialism. Instead of choosing between self-interest and duty to others, this model recognises that multiple reasons are at play in different situations. Step 4, *moral action*, is placed on a social embeddedness continuum from atomistic to mutually constitutive. Atomistic approaches place the decision maker at the centre of the decision making process. On the other hand, socially embedded individuals are seen to have a bidirectional relationship with external forces, where the decision process impacts others, and is impacted by the context.

Despite the linearity of this model, step 2 is the most significant in the exercise of discretion because it is in this phase where individuals weigh up various options available to them. Traditionally seen as the judgement phase, Martin and Parmar (2012) refer to it as 'deliberation'. In the judgement phase, decision makers are expected to be able to judge which course of action is morally right in order to label a particular action as what a person morally ought to do in that situation (Rest, 1986). Martin and Parmar (2012) protract this phase on a continuum of fast and slow deliberation. The speed of decision making increases when individuals rely on intuition. They cannot immediately articulate why they choose a particular option, but rather rely on a gut feeling or an emotion. Experience and stereotypes also serve

to speed up the decision process. On the other hand, slower decision making is the result of rational thinking or deliberate cognition. Organisational procedures for instance decelerate decision making, as decision makers need to consult policies and regulations, and follow procedures in reaching a conclusion. Discretion lies on the judgement continuum, so that extrinsic discretion corresponds with 'slow' deliberation, and intrinsic discretion corresponds with 'fast' deliberation.

Bennion (2000) distinguishes between judgement and discretion. Judgement, according to him, is an objective process with the aim of arriving at a conclusion or fact of law, which accurately reflects reality. On the other hand, he describes discretion as subjective with more freedom for the use of personal assessment and interpretation. In strong environments regulation assist decision makers in making judgements, but when the space between rules is entered, judgement becomes more complicated. On a continuum from strong to weaker situations, the latter requires a move away from judgment toward Bennion's concept of discretion.

By adding the concepts of extrinsic and intrinsic discretion to the discussion, Bennion's idea of judgement and discretion is elaborated to fit on the protracted judgment step in the decision making process. Extrinsic discretion is the freedom that particular individuals are assigned to make decisions. Contextual regulation, measures of power and control, and pre-determined levels of discretion associated with specific organisational roles fits with a strong environment, or Bennion's description of 'judgement'. Intrinsic discretion on the other hand relies on the desire and ability of individuals to make values based judgements regardless of external determinants. These personal judgements based on internal belief systems (Tafreshi & Racine, 2015) correspond with weak environments or Bennion's description of 'discretion'. Figure 2.2 below illustrates the meeting point between EDM and discretion:

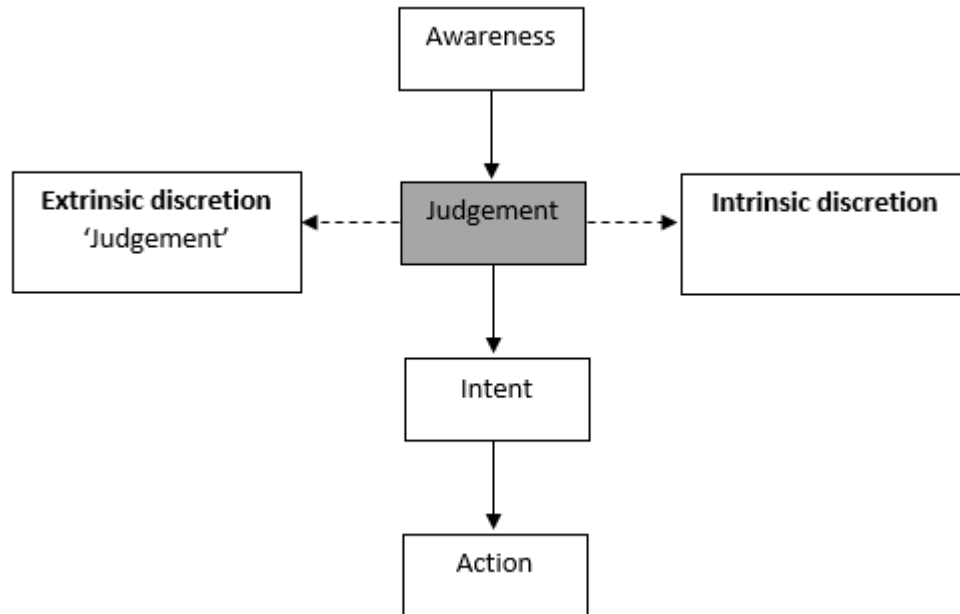







Figure 2-2 Intersection between ethical decision making and discretion

To summarise the literature on discretion and EDM to this point, table 2.5 is offered below. Earlier in the chapter, a distinction was made between extrinsic and intrinsic discretion by referring to task characteristics. It was argued that discretion could be allocated to individuals based on the organisational positions that they occupied, and that it was easier to allocate discretion when more was known about the tasks to be performed. Exchange based, technical, costly, and overt tasks were for example more likely controlled by the implementation of rules and regulations. Organisational leaders had the prerogative to decide how much discretion employees might exercise in making decisions related to such tasks. On the other hand, encounter based tasks were not always observable, or well defined due to levels of complexity; and the amount of support individuals decided to extend to their fellow employees were not measureable. It was maintained that these situations were much harder to control through regulation. Strong and weak situations were alluded to: In strong situations rules simplified decision making due to known parameters, and decision makers were required to arrive at a conclusion through an objective process of judgement based on rules and facts. However, when rules were few or unclear, decision makers entered a grey area where they were left to rely on subjective interpretations and assessment to arrive at a conclusion. Instead of relying on rules, they needed to consider the principles underlying the rules. In

many cases they would have to draw on their personal beliefs and values to choose the right course of action. In situations where the burden is placed on individuals to interpret qualitative information by using deep-seated beliefs and values, they needed to call on their ability to use intrinsic discretion. It is at this point that discretion and ethical decision making intersect.

Table 2-5 Synthesis of task characteristics; extrinsic and intrinsic discretion; and EDM

	
Activity characteristic	Activity characteristic
Simple	Complex
Certain	Uncertain
Observable	Less observable
Costly	Less costly
Exchange based	Encounter based
Technical	Effort
Goal	Interpersonal style
Staffing	Support
	Civic virtue
	Buffering
	
Extrinsic discretion	Intrinsic discretion
The role over the individual	The individual over the role
Latitude of action	Levels of desire to exercise latitude
Power and control	Values (courage; curiosity; intellectual empathy; humility; integrity; persistence)
Options in task procedures	Personal interpretation
Contextual regulation	Qualitative information
Judgement in performance of duties	Personal assessment
	
EDM: Judgement	EDM: Discretion
Objective process: arrive at conclusion of fact or law	Discretion: Subjective, freedom to use personal assessment and interpretation
	Based on personal beliefs
Slow deliberation: Deliberate cognition	Fast deliberation: Intuitive response

Similar to discretion, ethical decision making is affected by various factors within individuals as well as the environments in which they live and work. Before concluding this chapter an overview of these factors are presented and compared and contrasted with the factors that impact discretionary decision making.

2.4.2 Factors that impact EDM: Individual, organisational and external environment

Various authors have already executed comprehensive reviews of the literature on ethical decision making (Craft, 2013; Lehnert et al., 2015; O'Fallon & Butterfield, 2005). The intention is not to do the same here, but some important findings on the factors that impact ethical decision making will be highlighted in this section. Both individual and contextual factors are key for the understanding of ethics related attitudes and behaviour (Stainer, 2004; Stead, 1990). Importantly, the common theme in all research on EDM is the interplay of individual and organisational factors (Lehnert et al., 2015). Individual factors refer to levels of personal moral development and ethical sensitivity, while external factors include organisational factors as well as factors pertinent to the extra-organisational environment (James, 2000). O'Fallon and Butterfield (2005) stated that 70% of the studies they reviewed still focused on the influence of individual factors on ethical decision making. More has been done to examine the impact of organisational factors on EDM, but less effort is exerted in studying the impact of extra-organisational factors (Martin & Cullen, 2006).

Some of the extra-organisational, organisational, and individual factors that have been found to affect EDM are presented in appendix 3. This is not a comprehensive list of research in this field, but illustrates the variety of factors that impacts EDM on the three levels of analysis. A short discussion of the research findings on each of these levels is presented here, but more detail is included in appendix 3.

External environment: Doing business in an interconnected world demands the development of a global approach to ethics and EDM (Nevelling, Malan, & Yortt, 2014) or at the very least an understanding of ethics across cultures (Robertson & Crittenden, 2003) yet very little has been done in this field so far. Martin and Cullen (2006) note that there are too few studies for a meta-analysis to summarise the

effects of context on EDM. Nevertheless, some researchers have started to break ground in this field and some common themes are emerging: factors associated with the three dimensions of organisational task environments, munificence, dynamism, and complexity; national culture; and societal norms. The table included in appendix 3 shows that turbulence, hostility, dynamism, heterogeneity, and competition have been found to negatively affect EDM, while munificence has been found to positively affect EDM. National culture is associated with differences in EDM.

Organisational context is critical in forming an understanding of ethical attitudes and behaviour (James, 2000; Stainer, 2004), and much research has been done in this field. Five factors are regularly scrutinised on organisational level: codes of ethics, ethical climate/culture, organisational size, industry type, and rewards and sanctions (Lehnert et al., 2015; O'Fallon & Butterfield, 2005). An overview of the literature makes it clear that there is no golden key to unlock ethical behaviour in employees. However organisations can go a long way in creating environments that are inductive to ethical behaviour (Bobek & Radtke, 2007; James, 2000). This requires the presence of a variety of factors, all of which interact and support each other in the promotion of the required behaviour. Systems and procedures are not enough, it needs the support of strong ethical cultures and climates, leadership, and the cultivation of individual ethical attitudes and behaviour to support it. Certain organisational practices encourage EDM (see appendix 3): Organisational codes and policies that are supported by other organisational practices; rewards and recognition for ethical behaviour; organisational ethics training; ethical culture and climate; and certain management practices. Others such as a focus on rewards for reaching financial goals may encourage unethical decision making. Organisational codes on its own have little to no effect on EDM, and a positive relationship between organisational size, industry type, and EDM has not yet been established.

Individual factors have historically been favoured as the focus of empirical research in EDM (Ford & Richardson, 1994; Lehnert et al., 2015), and researchers continue to call attention to the importance of individual ethical values. Sajjad, Eweje and Tappin (2015) recently emphasised the impact of moral values on various stakeholder groups in society. O'Fallon and Butterfield (2005) stated that 70% of

the studies they reviewed focused on the influence of individual factors on EDM. Factors included in previous research are demographical characteristics such as gender, age, education, employment and tenure, nationality, culture, personality, and individual belief systems. To date there is no conclusive evidence of a relationship between demographical factors and EDM. However, two personality factors (locus of control and Machiavellianism) are strongly related to unethical decision making. Lastly, individual ethical philosophies (egoism, deontology, and utilitarianism) have been found to be associated with different ethical climates in organisations. Importantly, idealism and deontology shows a consistent positive relationship while relativism shows a consistent negative relationship with ethical decision making (Craft, 2013). This finding is significant given the general shift toward moral relativism in New Zealand as indicated in the opening paragraph of this chapter.

2.4.3 Comparative effects of external, organisational, and individual factors on EDM and discretion

Both EDM and discretion are impacted by various extra organisational, organisational, and individual factors. An intersection between EDM and discretion suggests that these two fields have much to learn from each other. Traditionally discretionary research has been focused on the external environment, while the individual level has been neglected (Arnaud & Wasieleski, 2014; Li & Tang, 2010). On the other hand, research in EDM heavily focus on the individual level (O'Fallon & Butterfield, 2005) while little research attention is devoted to the effect of external factors on EDM (Martin & Cullen, 2006). While research explain the effect of individual ethical philosophies on EDM (Casali, 2011; Martin & Cullen, 2006), not much is known about the effect of these philosophies on discretion (Arnaud & Wasieleski, 2014; Elms et al., 2010). Table 2.6 below illustrates the areas of comparative individual, organisational and extra-organisational effects on discretion and EDM (grey areas). However, the remaining areas leave room for further research to be carried out to determine what the two fields can learn from each other.

Table 2-6: Comparative effects of external, organisational, and individual factors on discretion and EDM. Grey areas show similarities in research outcomes for the two fields

External Factors	Effect on Discretion	Effect on EDM
<u>Organisational task environment</u> Turbulence Hostility Dynamism Heterogeneity Competition Munificence	Depress discretion Encourage discretion	Depress EDM Encourage EDM
National culture/Societal norms and ethical philosophies		Hyper norms can lead to similar ethical decisions across boundaries. Local norms are embraced in matters other than those related to hyper norms Different moral philosophies lead to differences in EDM
Organisational Factors	Effect on Discretion	Effect on EDM
Culture and climate	Can encourage/discourage discretion	Ethical: encourage EDM
Organisational codes and policies on its own		Little to no effect
Organisational codes and policies supported by other organisational practices		Strong effect

Training		Impacts employee ethical behaviour and institutionalise an ethical environment
Rewards and recognition		Rewarding ethical behaviour and sanctioning unethical behaviour encourage ethical behaviour. Focus on rewards for financial gain can encourage unethical DM
Management practices		Perceived ethical management, theory Y practices, counselling roles, leadership integrated with organisational vision and values encourages EDM
Organisational size	Larger organisations: Less discretion allowed	Mixed results
Organisational age	Older organisations: Less discretion	
Industry type		Mixed results
Capital intensity	Restrict discretion	
Resource availability	Increased availability associated with increased discretion	
Individual factors	Effect on Discretion	Effect on EDM
Demographical factors	Gender, race, education, tenure: Little to no effect	Gender, age, education, national culture: Mixed results
Personality	ILOC, and higher levels of Extraversion, Agreeableness, Emotional Stability and Openness: Increased ability to exercise discretion ELOC and higher levels of Conscientiousness: Decreased ability to exercise discretion	ELOC and Machiavellianism: strongly related to unethical DM

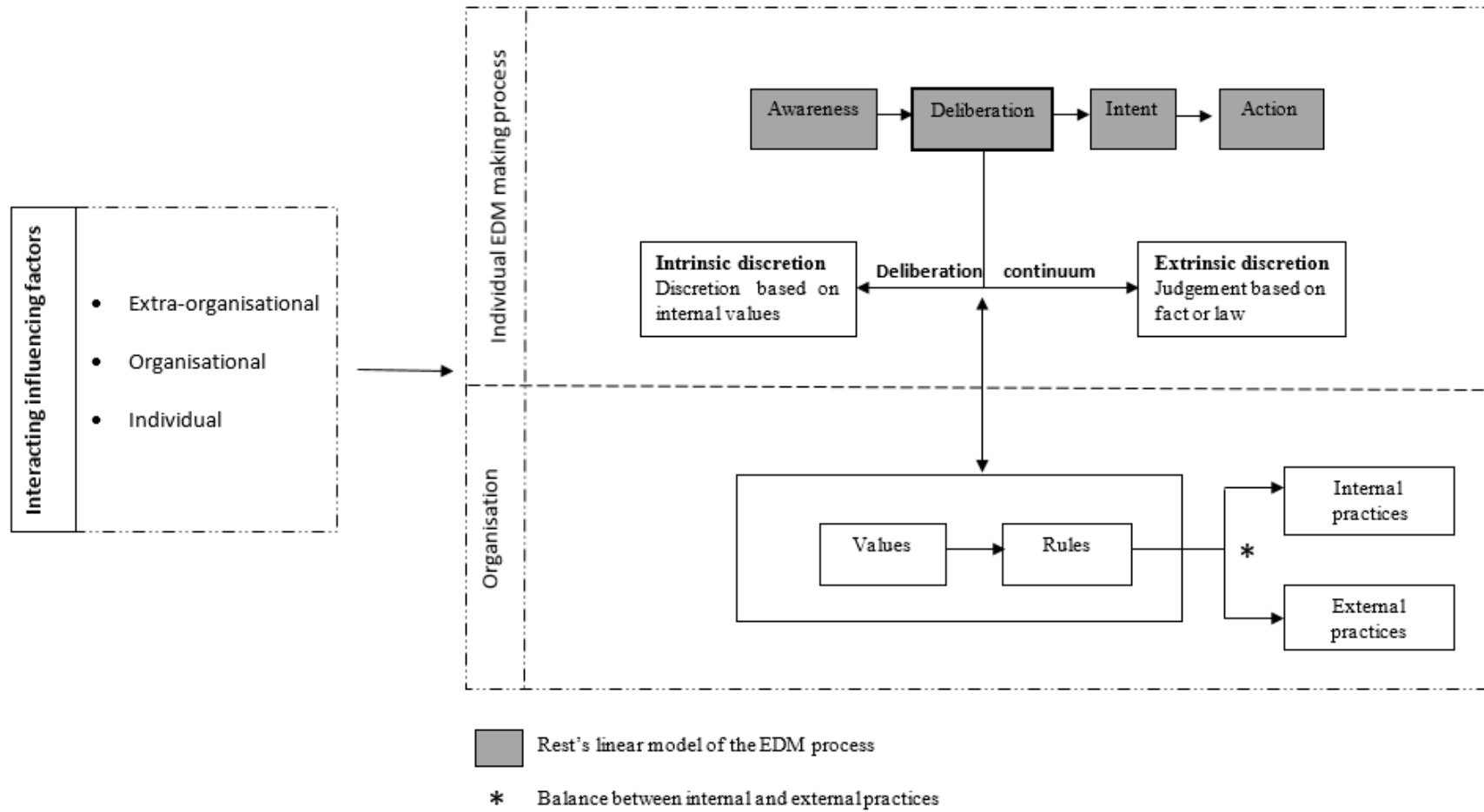
Cognitive ability	Higher levels: increased ability to use discretion	
Aspiration	Higher: More likely to use discretion	
Self-efficacy	More likely to use discretion	
Commitment	High levels: less likely to use discretion Healthy levels: more likely to use discretion Low levels: inclined to satisfy self interest	
Tolerance for ambiguity (openness to experience)	More likely to use discretion	
Individual ethical philosophies	Internalised norms impact discretion. Strong effect when high levels of discretion is allowed in organisations	Outcome of principled DM is independent, rules, or law and code climates. Outcome of utilitarian DM is a benevolent climate, and egoistic perspective leads to instrumental climate

2.5 Conclusion and research questions

To conclude, figure 2.3 is offered as the conceptual framework for this study. The model illustrates the intersection between discretion and ethical decision making by using a MacIntyrean view of organisations. Discretion is seen as an intrinsic/extrinsic continuum in the deliberation phase of Rest's (1986) linear ethical decision making process. On the extrinsic end of the spectrum, discretion is exercised within boundaries of regulation. From this point of view, the leeway awarded to employees to exercise discretion is pre-determined and associated with the positions that they hold on different levels of the organisation. For example, senior managers have more leeway to decide about the procurement and allocation of resources than junior managers or lower level employees. On the other end of the spectrum, intrinsic discretion is found. Intrinsic discretion is seen to be exercised when rules and regulations are not clearly stipulated or the task is of such a nature that it cannot be easily regulated. For example, the level of effort that employees choose to exert, is largely an action guided by internal beliefs and values rather than external regulation. Whereas regulation can be used to specify expected outcomes, it is not possible to regulate the discretion about effort exerted to achieve those outcomes. Consequently, when looking at discretion from an intrinsic point of view, it becomes clear that it transcends an association with particular organisational positions and rests with the individuals who occupy those positions. Importantly, responsible choices are dependent on the values held by the individual.

MacIntyre promotes moral organisations by balancing the internal and external practices of the organisation. The internal practice of an organisation is the reason why the organisation exists in the first place, while external practices are the secondary practices, which ensure the survival of the organisation. To ensure both effectiveness in external practices and excellence in internal practices, organisational regulation exists. However, MacIntyre emphasises the importance of values that underpin regulation. By exercising extrinsic discretion, conclusions of fact or law is reached, an action defined by Bennion (2000) as 'judgement'. Intrinsic discretion on the other hand is exercised by reflecting on the principles underlying the rules.

Figure 2-3 Proposed conceptual framework: Exercising discretion in organisations



The contribution of this research study is threefold. First, the study is designed to explore the dimensions of extrinsic and intrinsic discretion along the deliberation continuum of the ethical decision making process. In particular, the study aims to uncover more about the use of discretion on lower organisational levels. At present, management research in discretion focuses almost exclusively on the upper echelons of organisations. This may be the consequence of the way in which discretion has been defined in the past. By looking at discretion as levels of leeway associated with particular positions in organisations (extrinsic discretion), it makes sense that little research attention is devoted to lower organisational echelons, since limited levels of discretion are awarded to people in these kinds of positions. However, by adding intrinsic discretion, the view of the concept expands and makes it necessary to include lower level employees in business research projects.

A second contribution of the study is an improved understanding of the role of individual beliefs and values in the use of discretion. Current organisational researchers assert that, different to EDM research, individual factors are neglected in discretionary research. In particular, little is known about the effect of individual belief systems in discretionary decision making. The distinction between intrinsic and extrinsic discretion is one way to help draw attention to personal beliefs and values that inform individuals' discretionary decisions.

Both the processes of ethical decision making and the exercise of discretion are impacted by a variety of factors associated with the external environment, the organisation and individuals involved. These factors have been found to interact in various ways to impact discretionary decisions (illustrated to the left of figure 2.3 above). This has been researched extensively in the past by using quantitative research methods. However, little qualitative research has been undertaken to find out more about employees' experiences of the environment in which they exercise discretion (see appendix 2). The third contribution of this study is therefore the use of a phenomenological approach to examine employee perceptions of internal and external factors that impact decision making in the workplace.

The study has been designed to explore the central concept of discretion. Consistent with the emerging nature of phenomenological research (Creswell, 2013; Moustakas, 1994) a broad central question leads the research study:

How do employees use discretion in the work place?

Three additional questions support the central research question. These questions have been formulated to describe employees' experiences of the exercise of discretion in the work place. The first supporting question explores the experiences of employees on various organisational levels, while the second question is asked to uncover the foundations of employees' discretionary decisions:

How do employees on different organisational levels exercise discretion?

How do values impact on the use of discretion?

In addition, question three explore employees' experiences of the environment in which they exercise discretion:

What factors contribute to or inhibit the use of discretion?

The main purpose of chapter two was to present a fresh view of discretion and ethical decision making by looking at the use of discretion in organisations through a MacIntyreian lens. Chapter two therefore offered a synopsis of MacIntyre's theory as it applies to organisations, as well as an overview of existing research in the fields of discretion and ethical decision making. The literature review revealed sparsity of discretionary research on lower organisational levels, and a need to bring the concepts of morality and discretion closer together. Both these gaps can be addressed by the proposed distinction between extrinsic and intrinsic discretion. The subjective research approach will furthermore provide special insight into the use of discretion, potentially adding new ideas to the existing knowledge of discretion gained through objective research studies. The central research question and three supporting questions will address the identified research gaps. Chapter three provides further detail about the subjective research methodology and methods chosen to execute the study.

Chapter 3: Research Methodology and Method

“The history of thought and culture is, as Hegel showed with great brilliance, a changing pattern of great liberating ideas which inevitably turn into suffocating straightjackets, and so stimulate their own destruction by new emancipatory, and at the same time, enslaving conceptions” (Berlin, 1962, p19).

3.1 Introduction

Chapter 2 concluded with an overarching question and three support questions formulated to guide this research study. The main objective of chapter three is to outline the philosophical position that the researcher committed to, and to explain the research methods and strategies that were chosen to carry out the investigation. In the first part of the chapter the research methodology is discussed, with emphasis on the interpretivist paradigm and more specifically, the phenomenological theory located within this paradigm. In the second part, the research design and method is dealt with in detail. Justification is given for the use of a single case study and problem centred interviews to investigate the research questions. This is followed with a discussion of the data analysis strategies that were employed.

3.2 Methodology

The quote in the beginning of this chapter is true for research choice. It has the potential to become a straightjacket, suffocating the creative abilities lodged within the researcher who is attempting to abide by the ‘rules’. While visiting dairy production plants, the researcher learned that operators rely on an SOP or a ‘Standard Operating Procedure’ for operating machines. By following the SOP, the machine works to its ultimate capacity and delivers an expected output. Unfortunately, no SOP exists for conducting research, although the researcher admittedly desired such a guide in the early stages of defining a philosophical view

point. At times it seemed that being tied up in a 'straightjacket' would simplify the process, and would help to 'spit out' an appropriate result at the end of a cycle. Early on the researcher believed that choosing a research paradigm and operating within its boundaries would provide a clear cut approach to a research topic that at times proved to be very abstract; but soon discovered that very little, if anything, in social research could truly be black and white.

Research involving people will always require some measure of creativity and flexibility on the part of the researcher. The instruction of an old family friend who had much experience in flower arrangement came to mind. She explained that flowers had a mind of their own. One might set out with an abstract design or a picture of what the arrangement should look like, but along the way one will discover that flowers were not always willing to turn their faces in the desired direction. Her instruction was to 'listen to the flowers'. The eventual arrangement would not match the imagined picture one hundred percent, but one will end up with flowers facing in the direction that best show off their beauty.

Hence, in planning this research study, the researcher created an imagined 'picture' of how the research would proceed. There to assist was Burrell and Morgan's four key paradigms hailed as the saving grace to the confusing world of social research. Their book "Sociological Paradigms and Organisational Analysis" published in 1979 was welcomed by many in the field, but it was also the prelude to the paradigm wars, still raging today (Shepherd & Challenger, 2013). However, the paradigms were a tremendous help in demystifying the world of social science research.

The review of any body of literature makes it quite clear that the personal philosophies of different researchers colour the answers that they find in response to a research question. This consequently underlines the importance of understanding the intent and philosophical positions of researchers. Additionally the *conditions* for obtaining knowledge of the human situation should receive rightful consideration alongside the methods for obtaining knowledge (Deetz, 1996; Kuhn, 2012; Kvale, 1996). The researcher initially set out with a restrictive view of research philosophy, which proved to be immature and constricting. Perhaps this

was due to an over emphasis on the four demarcated research paradigms identified by Burrell and Morgan (1979).

Burrell and Morgan's theory of social science research has always been a personal favourite. Perhaps the tidy segregation of the four different paradigms held the appeal, specifically for the way in which it helped to make sense of the field of subjective research, specifically. Burrell and Morgan (1979) propose that social theory can be conceived of in terms of four key paradigms. The paradigms are based on meta-theoretical assumptions about the nature of social science and the nature of society. They conceive the four paradigms (radical humanism; radical structuralism; interpretivism; and functionalism (and the theories generated in each) to be in fundamental opposition to each other and therefore mutually exclusive. This apparition of unambiguity was grabbed onto in the hope of finding a stable footing from which to launch the research. The hope was that a paradigm could be chosen, its rules accepted, and membership gained of a happy guild of likeminded researchers. It was supposed to provide a place of belonging, even if a paradigm choice required the donning of a 'straightjacket' as uniform. In the zeal to find a place to belong, promises such as that of Shepherd and Challenger (2013) was eagerly held on to; that the choice of paradigm would offer 'membership' to a research discipline or school of thought embraced by others of similar research orientations. In doing this the point made by Kuhn (2012) was completely missed - that the way in which a scientist approaches research does not necessarily adhere to a set of rules. Instead, it shows a 'family resemblance' to the work of other researchers of a similar disposition. To Kuhn this resemblance to a scientific corpus, or subscription to a research paradigm, may be prior to, more complete, and more binding than any set of rules for research. Kuhn's words that the substitution of paradigms for rules would make the scientific field easier to understand, was also forgotten. This point will be revisited after the next discussion of Burrell and Morgan's theory.

3.2.1 Research paradigms: saving grace or straightjacket?

As mentioned earlier, the Burrell and Morgan research paradigms were welcomed by many with its publication in 1979 (Jackson & Carter, 1993). It was mainly applauded for the order that it brought to the field of social science research, but

following in its wake was a 33 year old debate, referred to by some as the ‘paradigm wars’ (Shepherd & Challenger, 2013); ‘the debate that won’t die’ (Tadajewski, 2008); and even ‘philosophical dogfights’ (Hacking, 2012). A closer look at this ‘war’ was necessary before Burrell and Morgan could be used as a basis for this PhD study. Shepherd and Challenger’s analysis of the paradigm wars helped to look critically at Burrell and Morgan’s theory from four different angles: paradigm incommensurability; integration; pluralism or multi-paradigm inquiry; and discourse as replacement for paradigms.

Position one, incommensurability, retains Burrell and Morgan’s original position that “...each paradigm must, logically, develop separately, pursuing its own problematic and ignoring those of other paradigms as paradigmatically invalid” (Jackson & Carter, 1991, p.110). This position was similar to the researcher’s early stance. Position two, integration, opposes fragmentation which is seen as a fall-out of incommensurability and calls for technical certainty and consensus to make advancements in the field (Donaldson, 1998; Pfeffer, 1993). The third position, pluralism, debates against the unification that the integrationists favour. Proponents of pluralism believe that researchers can move backwards and forwards between paradigms, and work across different paradigms simultaneously (Chua, 1986; Shepherd & Challenger, 2013; Weaver & Gioia, 1994). The fourth position is discourse and dissolution. This position allows researchers to ‘gather at the cross roads’, rather than to cluster around prototypes, in order to borrow from other discourses (Czarniawska, 1998; Van Maanen, 1995). After a close examination of these four positions, the researcher shifted from a position of incommensurability to the collegiality of ‘discourse and dissolution’. Much can be learned about a topic or business problem when researchers keep an open mind and are willing to meet others from different philosophical viewpoints at the crossroads.

3.2.2 Personal research position

Research paradigms are helpful in determining a personal research perspective. The critique against Burrell and Morgan’s paradigms (as set out above) do not render the theory as flawed to the point of inadequacy. This theory will therefore be used to explain the researcher’s position, but with some consideration of the critique raised, and an addition of some of Deetz’s (1996) arguments.

Although Deetz calls his rendition of the research paradigms discourses, he achieves a similar outcome: two dimensions and four discourses. The difference being the way in which the borders are viewed – as transition zones or continua, which allows inter-paradigm connection and the opportunity for gathering at the crossroads. This view is particularly palatable since a strict abiding by paradigm ‘rules’ confining researchers to one paradigm, inhibit the creative abilities of the researcher, and is reminiscent of an “SOP” for research.

The current study was intended to uncover new meanings of discretion in the workplace, as experienced by employees on all organisational levels. The research was therefore focused on *emergent* concepts, but not without some knowledge attained in preparation for the execution of primary research in the field. Some “book knowledge” or “knowing about” was essential in order to identify what it was that the research subjects were sharing. For example, without the knowledge that discretion is exercised based on internal goals and principles, the research questions could not have been formulated. However, an openness to the re-differentiation of concepts by participants was retained. If not, the purpose of understanding from the point of view of the participant would be defeated and the research outcomes a monologue of the researcher’s personal opinions. Knowledge is a form of insight, and attention to participant’s stories as a form of ‘street wisdom’ or ‘knowing how’ is necessary to build knowledge (Deetz, 1996). The researcher therefore needed to assume the role of skilled collaborator rather than that of expert observer.

Next, the research position assumed for the current study will be outlined in more detail by using Burrell and Morgan’s theory. This will include a discussion of the dimensions that make up the four paradigms; in particular, the interpretivist paradigm and the phenomenological approach to this study.

3.2.2.1 Assumptions about social science: Objectivism/subjectivism

Burrell and Morgan (1979) see assumptions about social science as the first principal dimension for analysing social theories. These authors assert that social science can be viewed from a subjectivist position in the tradition of German idealism on the one hand, and sociological positivism on the other hand. The two

positions are differentiated by questions of ontology, epistemology, human nature, and methodology (see table 3.1).

Ontology refers to questions about reality, and whether it should be investigated from inside or outside of the individual. On the one hand, Realism refers to the belief that reality exists independent of the individual, waiting to be explored. It consists of hard, tangible, virtually unchangeable structures. Those with a Nominalist viewpoint on the other hand consider reality as a product of one's mind. They believe that no structures exist outside of individual cognition. Language is used to make sense of the outside world. Structures only exist to the extent that labels and names are used to describe them, in an attempt to negotiate the external world (Burrell & Morgan, 1979).

Epistemology denotes two views of the grounds of knowledge. Positivists consider knowledge to be hard, real, and transmittable in tangible form. Epistemologies subscribing to positivism are interested in regularities and causal relationships, and attempt to explain and predict what happens in the social world. Knowledge is built by accepting and rejecting hypotheses formulated by researchers in the role of an observer. Anti-positivists on the other hand argue that knowledge cannot be gained by merely observing, but that it is necessary to form an understanding from the participant's frame of reference. Knowledge is accumulated subjectively, by understanding from the inside rather than from the outside. It is considered to be soft, subjective, spiritual and even transcendental, and has to be experienced first-hand (Burrell & Morgan, 1979).

Human nature can be viewed from a position that either considers individuals as creators of their own environments on the one side, or as conditioned by their environments on the other side. A deterministic viewpoint is one that regards individuals as completely determined by the situation or environment in which they find themselves. A voluntarist on the other hand, sees man as completely free-willed and autonomous. Researchers need to adopt implicitly or explicitly one of either of these viewpoints, or otherwise an intermediate position which allows for the influence of both situational and voluntary factors. These assumptions will

broadly define the way that the researcher sees the nature of the relationship between the individuals and the society in which they live (Burrell & Morgan, 1979).

Table 3-1 A scheme for analysing assumptions about the nature of social science (Burrell and Morgan, 1979, p.3)

Subjectivist approach to social science		Objectivist approach to social science
Nominalism	←— Ontology —→	Realism
Anti-positivism	←— Epistemology —→	Positivism
Voluntarism	←— Human nature —→	Determinism
Ideographic	←— Methodology —→	Nomothetic

The authors state that positions assumed on ontology, epistemology and human nature have important consequences for the way in which researchers conduct their investigations to obtain knowledge or, in other words, the methods they choose to employ in carrying out their research. If the social world is treated like the natural world (hard, real, external to the individual), the focus will be on an analysis of relationships and regularities between the various elements.

Methodological issues apply to the concepts themselves, their measurement, and the identification of underlying themes (Burrell and Morgan, 1979). Some researchers search for universal laws, which could explain and govern the reality, which is being observed, and therefore hold a *nomothetic* viewpoint. Others stress the subjective experience of individuals, and focus on the way in which the individual creates, modifies and interprets the world. These researchers hold an *ideographic* viewpoint. In extreme cases of the ideographic viewpoint, the emphasis is placed on what is unique and particular to the individual rather than what is general and universal. Emphasis is on the relativistic nature of the social world (Burrell and Morgan, 1979).

In summary, a *subjectivist* approach to social science assumes a nominalistic ontology, anti-positivistic epistemology, and a voluntaristic view of human nature.

This approach requires the employment of an ideographic research methodology. An *objectivist* approach to social science assumes a realistic ontology, positivistic epistemology, and a deterministic view of human nature. An objectivist approach requires the employment of a nomothetic methodology (Burrell and Morgan, 1979).

The philosophical viewpoint assumed for this study entails the belief that knowledge resides within the individual, and the means by which this knowledge is accessed is by trying to understand what the world looks like from the viewpoint of the perceiver. Individuals are not considered as objects that are involuntarily shaped by their environment. The complexity of each individual (with their personal characteristics and individual experience of the world they share with others) requires them to be approached as unique research subjects whose experiences and opinions deserve to be truthfully noted and recognised.

Individual discretion is exercised based on internal beliefs, goals and principles (Baldwin, 1995; Galligan, 1990; Key, 2002). People have the freedom of choice in what actions they wish to take, although such choices may be shaped by external factors such as expressed regulation. In the end however, it is an individual decision to act in accordance to such external factors or in a completely voluntary way. Consequently, this research study was approached from a subjectivist position. However, true to the position of ‘discourse and dissolution’ the researcher learned about the topic of discretionary decision making by consulting previous research studies from both objective and subjective viewpoints.

3.2.3 Paradigmatic alignment

The interpretive paradigm suits the philosophical position of this thesis, as its central concern is an attempt to “*understand and explain the social world primarily from the point of view of the actors directly involved in the social process*” (Burrell & Morgan, 1979, p.227). Importantly, Dilthey (as cited in Burrell and Morgan, 1979) introduced the notion of *verstehen*, which distinguishes the cultural sciences from the natural sciences. The cultural sciences primarily investigate the internal processes of the human mind, while the natural sciences are concerned with processes that ensue external to the individual. All theories situated within the interpretivist paradigm share *verstehen* as a common characteristic. The notion of

verstehen is essential to organisational studies, because “*the more deeply we probe into this field of organizations, the more complex we find it to be, and the more we need to fall back on so called exploratory, as opposed to ‘rigorous’ research methodologies*” (Mintzberg, 1979, p.584).

The objective to attain an improved understanding of discretion as experienced and expressed by employees on *all* organisational levels was central to the current research study. In the field of business studies, discretion is commonly researched as decision leeway associated with management positions. Therefore, it was necessary to form an understanding from the position of *all* participants, including those on lower organisational levels. Different to the functionalist view, the tenet of this thesis was that social facts about discretion existed inside the individual and was influenced by internal belief systems and individual interpretations. The intent was not to find a solution to a pre-formulated problem but to describe and explain discretionary decision making in order to understand how current employees experienced it. However, adopting an interpretivist stance does not mean total isolation from other paradigms such as the functionalist and radical humanist paradigms. For example, radical change is a functionalist focus, and a ‘total release from social ties in the environment’ is a radical humanist focus (Burrell & Morgan, 1979; Gioia & Pitre, 1990). Neither of these objectives are central to interpretivist studies. Nevertheless, the presence of the researcher in the field and the thoughts that are stimulated through the research interviews may well lead to change; but ultimately the central focus is rather to understand than to bring about change.

3.2.3.1 Categories of interpretivism

Burrell and Morgan identify four categories of interpretive theory within the interpretivist paradigm: solipsism, phenomenology, phenomenological sociology, and hermeneutics. These categories differ in terms of subjectivism, with solipsism being extremely subjective and hermeneutics veering more towards objectivism on the subjective-objective dimension (Burrell & Morgan, 1979). Solipsism represents an ontological disregard for anything existing outside the human mind. It is best described by Berkeley (as cited in Burrell and Morgan, 1979): “*to be is to be perceived*”. Due to the position that nothing exists beyond one’s own ideas, it is

argued that there is no point in developing social theories of philosophies, since nothing can be shared in a realistic sense (Burrell & Morgan, 1979).

Hermeneutics is located in the least subjective region of the paradigm. Subscribers to hermeneutics hold an objective idealist view of the social world (Burrell & Morgan, 1979; Kvale, 1996; Moustakas, 1994). In the course of life, human beings are said to externalise the internal processes of their minds, which result in artefacts with an objective character. This can for instance take on the form of written text, such as literature and law (Burrell & Morgan, 1979). Historically the subject matter of hermeneutics was literature, religion and law, and involved the analysis of existing text (Kvale, 1996). When applied to social sciences, text is generated through conversation (which is transcribed and analysed) providing the opportunity to study culture that has been converted into text (Kvale, 1996). Two types of conversation are entered into (Laverty, 2003). The first is in the form of conversation between the researcher and the subject. The researcher enquires about the life world of the subject, and the intended or expressed meaning about the subject is examined to establish a co-understanding between the researcher and subject. It is not only the interpretation of the subject that counts, but the researcher and participant work together to bring the experience under investigation to life. The biases and assumptions of the researcher are therefore embedded in the research process, and the researcher claims ways in which his or her own experience relates to the issue being studied, which can for instance be achieved through reflective journaling (Laverty, 2003).

The current study was not carried out at either ends of the interpretivist spectrum. It was more objective than the soliptic end (theories so abstract that it cannot realistically be shared with others); but more subjective than the hermeneutic end, where data is analysed through an application of the hermeneutic circle (Kvale, 1996). The focus was less on the analysis of the generated text, and more on the context within which participants divulged ideas and information. However, an affinity with the hermeneutic idea of the development of a co-understanding between the researcher and participant was shared. Due to the sometimes-abstract nature of the current research topic, it occasionally happened that the researcher and participant engaged in a conversation to reach a mutual understanding of references to personal values, ethics, and the notion of discretionary decision making.

However, this understanding was created by means of in-depth discussion during the course of the interviews, instead of the analysis and mutual agreement on created text. The chosen category for the current research was phenomenology, located between the extreme ends of solipsism and hermeneutics.

3.2.3.1.1 Phenomenology

The term phenomenology originates from the term “Logos” or the activity of giving an account; and the term “phenomenon” or the way things appear (Kelly, 2008). Hence, phenomenology is the act of *giving an account of the way in which things appear*. In other words, both that which appears, as well as the manner in which it appears to the individual, is important (Kelly, 2008). This research study focused on the way individuals experienced the exercise of discretion in organisations. Although a literature study on the topic was conducted beforehand, it could not be assumed that the current understanding of organisational members were similar to that which had been recorded in the past. Rather than being method centred, this study was experiential, qualitative, and object centred (Kaam, 1966). The aim was to establish how organisational members experienced the exercise of discretion, and to provide an understandable description of it. The focus was on the ‘what’ of the experience as well as the ‘why’. This was important in order to establish the role of rules and principles in the process of discretionary decision making. The uncovering of the personal beliefs and values that underpinned the individual use of discretion, fit with a phenomenological approach. Husserl states that the “natural attitude” of everyday life includes philosophical beliefs as well as common sense assumptions (Kelly, 2008). However, it does require that researchers transcend or rise above their own “natural attitude” in order to explain that of others. This is an ideal to be strived for but arguably not fully achievable. During the course of this study, the researcher instead entered into a trust relationship with individual participants, and partook in the process by which participants disclosed and uncovered the meaning that they attached to the phenomenon under investigation. The researcher delved deeper into participant’s accounts with the use of in-depth interview techniques, while ‘bracketing’ personal assumptions as best as possible.

The term ‘bracketing’ has been developed by Husserl to describe the approach by which intentionality and objectivism (reminiscent of the early views of science)

could be overcome. Bracketing is a technique by which the examiner allows the phenomenon to reveal itself. Through bracketing reality, the values and realities of the scientist become less important. Common sense and scientific knowledge about the phenomenon is placed in “brackets” to arrive at an unprejudiced description of the phenomenon (Kvale, 1996). The phenomenon is consequently purely described in the way that it manifests itself, which Husserl described as *selbstgebung* (to give of the self). According to Husserl, evidence is not a one-off experience of a single act of consciousness, but reveals itself as intention moves to fulfilment of an act. Thus evidence is a function of ‘givenness’ (Moran, 2005). The method of epochè (the theoretical moment when all judgement about the external world is suspended) gives way to phenomenological reduction, where a new and fundamental level of meaning can be explored (Burrell & Morgan, 1979; Moustakas, 1994).

Alfred Schutz related the idea of phenomenology to sociological issues. Although he had great admiration for Weber, he felt a deeper foundation was necessary to address the problems of human sciences (Burrell & Morgan, 1979). Weber provided the foundational interpretive understanding of social science, but not the essential concept of *verstehen* or subjective meaning and action. Through the ‘stream of consciousness’, Schutz explained that consciousness was an ongoing stream of experiences that had no meaning unless turning back and looking at what had been going on (the basis of reflexivity). However, to attribute meaning to past experiences, actors had to know what the purpose or goal was for the search for meaning (Burrell & Morgan, 1979). In this way, meaning could also be attributed to future experiences. Thus, the phenomenon was examined in the manner of Husserl’s epochè, where the reality as *given-to-me* was suspended, and an attempt was made to penetrate the essence of consciousness and meaning. Schutz rejected pure phenomenology and the associated problems of transcendental subjectivity and intersubjectivity. According to him, intersubjectivity was informed by a sociological instead of a transcendental perspective. Basically, Burrell and Morgan state: “*Schutz is concerned to throw light upon the way in which we come to know the lived experiences of others*” (1979, p.245).

To genuinely understand the experiences of others, a look into their streams of consciousness is necessary, and this was achieved through face-to-face interaction

and exchange. The process of understanding others, according to Schutz, was possible through typification, or socially ordered knowledge of the social world, which was handed to us according to our social context. Therefore, typifications vary from one context to the next. The central task of social science, according to Schutz, was “...to understand the social world from the point of view of those living within it, using constructs and explanations which are intelligible in terms of the common-sense interpretations of everyday life” (Burrell & Morgan, 1979, p.246).

Like Schutz, the researcher was similarly interested in understanding the lived experiences of others. The intention was to examine people’s concepts and pursuits of discretion in their everyday life, which could only be achieved by penetrating their ‘streams of thought’ through face-to-face interaction. Most importantly, reflection on the exercise of discretion needed to be stimulated, as meaning could only be uncovered by turning back and looking at what had been going on (Schutz in Burrell & Morgan, 1979). To this end, bracketing and the method of epochè as conceived by Husserl become apparent. It was essential to create an opportunity where the phenomenon of discretion on all organisational levels could reveal itself in a situation where judgement was suspended as best as possible.

Keeping in mind the philosophical stance assumed for this study, the next part of the chapter will focus on the strategies and methods that were adopted to execute the research. Justification for the use of the single case study will be offered next, as well as a detailed discussion of the problem centred interview technique which was used to collect the data. This will be followed by a discussion of the data analysis strategies that were employed, with some emphasis on the use of computer assisted qualitative data analysis software.

3.3 Research design and Method

The philosophical implications of research are often overlooked when techniques are considered (Kvale, 1996), and therefore the phenomenological approach will constantly be kept in mind in the next part of the discussion on research design and methods choices. Researchers from different philosophical viewpoints may employ

similar methods and techniques, but it will be for different intents and purposes. For example, hermeneutics, phenomenology, dialectics and post-modern thought all have a different approach to interviewing (Flick, 2006). A phenomenological approach to research design requires from the researcher to focus on the life world of individuals, and to be open to their experiences. It also calls for the bracketing of foreknowledge and a search for essential meanings (Kvale, 1996). These principles were significant in research design choices.

3.3.1 Case study research

Case research is a prevailing research method in management, especially for the purpose of exploration and the development of new theory (Voss, Tsikriktsis, & Frohlich, 2002). The case strategy is well suited for researchers who wish to study the interaction between the issue and the context within which it occurs in its natural setting through capturing the knowledge of practitioners (Benbasat, Goldstein, & Mead, 1987). Different benefits of case studies include the limited constriction (as opposed to questionnaires and models); the development of new and creative insights; and validity with practitioners, the end user of the research. Both participants and the researcher are enriched through the experience (Voss et al., 2002). Case studies often demonstrate an evolution of the issue under investigation (Stake, 2000) and develop from a topical issue, to a foreshadowed problem, then to issues under development, and finally to issue assertion. Topical to the current research study was the possible tension between rules and principles in the exercise of discretion in organisations, foreshadowed by rule proliferation and its associated consequences. The current study was triggered by the following question posed by Jan Dawson, former chairwoman of KPMG New Zealand: *“New Zealand [is] being overrun with regulations that are rules-based rather than principles-based” the US example is being followed, while “their reaction to the corporate failures has been to dictate rules...is this the way we want to go in New Zealand? Or should we build on a principled based requirement that we should be ethical in business dealings?”* (Nordqvist, 2006). The researcher was again reminded of this augur on entering the research field on the first day of data collection, when coming across the following message written in the dust on a window: *“Do we need to be like yanks?”* Throughout the data collection phase the issues under development remained the

use of individual principles and formulated regulation in the exercise of discretion, and the findings was the eventual assertion of what had been found by the study.

The research question “*How do employees use discretion in the workplace?*” was the first indication of the case study design that would be chosen to carry out the research. Various scholars agree that asking “why” and “how” usually is an indication that research such as this study, is situated within the interpretive paradigm (Benbasat et al., 1987; Carson, Gilmore, Perry, & Gronhaug, 2001; Stake, 2000), where case studies are a common design chosen to carry out research. The phenomenological approach to data collection and analysis in the current study placed high value on the feelings, perceptions, and lived experiences of participants as the object of study (Guest, Macqueen, & Namey, 2012) which was accessible through a case study approach.

Some case study methods are more positivistic in nature than others. Yin (2003), a leader in the field of case methodology, expresses a great concern for objectivity, and is a proponent of a prescriptive, well prepared approach to fieldwork, often guided by a-priori theoretical frameworks and formulated propositions. Yin’s deductive approach differs much from that of Glaser and Strauss (1967) who advocates a more inductive, iterative process to theory development; by continuously moving between empirical data collection and analysis. The current study was situated somewhere between these two approaches. It was more aligned with Eisenhardt’s approach which, although aligned to grounded theory, have some elements of a planned approach (Eisenhardt, 1989). For example, the literature review was not conducted to develop a detailed research protocol, but to create awareness of the broad issues and sensitizing concepts that the researcher wished to develop further during the case study. Furthermore, no propositions were formulated.

As a phenomenologist, the research task was seen as revealing, and describing the phenomenon of discretionary decision making in such a rich way, so that readers might experience the setting as though they were insiders (Drew, Hardman, & Weaver Hart, 1996). This could only be achieved by entering the field with an open mind, unrestricted by previously formulated propositions (it is however

acknowledged that an ‘open mind’ is impacted by personal biases, and that awareness of such biases is important in attempting to be as receptive as possible when describing the phenomenon as encountered in the field). Individual behavioural processes such as decision making can best be understood as it naturally occurs; therefore, the variables were not known in advance but were instead discovered and observed (Kagan, 1978 in Drew, Hardman and Hart, p.163). Hence, the research field was entered with an informed background of discretionary decision making, but not with preconceived ideas of what was expected to be uncovered. The goal was to allow enough room for the phenomenon to reveal itself as it transpired in its natural environment (Drew et al., 1996). However, Yin agrees with Eisenhardt that in the absence of propositions, the researcher should have a clearly stated purpose for the execution of the research. In this instance, the purpose was to examine how individuals exercised discretionary decision making in the context of a large business setting such as Fonterra. The importance of context and how situational change can impact decision making have been pointed out by many researchers (Kujala et al., 2011; Schweitzer & Hsee, 2002; Tenbrunsel & Messick, 1999; Zhong et al., 2010) which indicates the significance of contextualist research.

3.3.2 Contextualist research

Context is a key part in understanding how organizations work (Hackman, 2003) and is defined as factors above those expressly under investigation that help illuminate the phenomenon that is the object of investigation (Cappelli & Sherer, 1991). It encompasses the stimuli that exist in the environment external to the individual (Mowday & Sutton, 1993). These stimuli or factors are described as “situational opportunities and constraints that affect the occurrence and meaning of organizational behaviour as well as the functional relationships between variables” (Johns, 2006, p.386). By asking the sub-question, “*what factors contribute to and inhibit the use of discretion?*” The task has been accepted to identify and examine the situational opportunities and constraints that affected individuals in the exercise of discretionary decision making.

Context-free researchers are interested in a particular phenomenon (such as discretionary decision making) regardless of the environment in which it is found, while context-specific researchers are interested in the same phenomenon but in a

particular setting, such as the dairy industry, for example. They will pursue research in this industry to learn everything they can about the exercise of discretion in the dairy industry. On the other hand, contextualist researchers are concerned with the very specific social and organizational context in which the research is being undertaken (Heath & Sitkin, 2001; Hunt & Blair, 1986). Context specific researchers are interested in the characteristics of discretionary decision making common to all dairy companies in general, while contextualist research, such as the research undertaken in the current study, is interested in the details of a particular company - Fonterra in this case, with its own history and idiosyncrasies.

Blair and Hunt (1986) list ethnomethodology, phenomenology, and symbolic interactionism as examples of contextualist research. This agrees with other researcher's comments on the significance of context in subjective studies and the need for context in order to tell a story (Daft, 1983; Huff, 1999). As a phenomenologist, the researcher endeavoured to tell the story of how discretion was exercised in the context of Fonterra New Zealand, and in particular, how it was revealed on three Fonterra sites in the Southern Taranaki. Johns (2006) declares that the collection of qualitative data has great potential to illuminate context effects, often because of the practice to 'work backwards' or to make inferences about the situation. Context is not necessarily the focus of a research study, but the recognition of the impact that it has on organisational behaviour. For example, in the current study the context had strong explanatory power for the use of employee discretion in Fonterra. It was not only the organisational context that impacted individual behaviour, but also the external environment that impacted Fonterra as an organisation in its entirety. The study was designed so that the researcher could personally enter the business environment in order to engage in conversation with employees on the topic of discretion in the work place.

The aim of the current study was to collect data through in-depth conversations that would allow individuals to reflect on important topics such as personal value systems, individual judgement, moral autonomy, and legal absolutism. This could best be achieved through a phenomenological approach to data collection. A contextualist approach used the history and idiosyncrasies of the chosen research sites to tell a story about the phenomenon (discretionary decision making), and

ultimately contributed to a clearer overall picture of the exercise of discretion in organisations.

3.3.3 The single case

The main problem in doing case study research is to find a case that is significant to the research question (Flick, 2006). For the purpose of this enquiry, an instrumental research site was needed where the use of discretion in decision making would be apparent enough to examine. Large businesses are known for their use of rules and regulations (known to impact discretion) to organise and standardise the work environment (Adams, 2001; Neubaum, Mitchell, & Schminke, 2004) and this would serve the purpose of the study. Such a site presented itself in the form of Fonterra, New Zealand's largest dairy industry. However, Stake (2000) advises to look for that which is both common and particular to a case to produce an end product that portrays something of the uncommon. Fonterra's commonality is found in its representation of other large-scale industries, and its particularity in the point in time when the research was carried out. Besides the ongoing effects of the global financial crises on business, Fonterra was also dealing with the consequences of a major crisis that took place 6 months earlier. Fonterra is a global co-operatively owned New Zealand company with 16 000 employees worldwide. Following a false alarm in August 2013 about the contamination of products (including infant formula) with a botulism-causing bacterium, the company pleaded guilty to charges of carelessness and a failure to follow procedures (Backhouse, 2014, April 4). The incident resulted in a \$300 000 fine but more importantly, in extensive damage to the company's reputation worldwide.

Case studies can take on different forms; examples are longitudinal studies, retrospective studies, comparative studies, and single case studies. Each of these options bears unique advantages and disadvantages. Longitudinal studies involve repeated observations of the same phenomenon over an extended period, while retrospective studies look back at events that already took place. Multiple case studies provide the opportunity to compare and contrast between cases leading to a more robust finding, but by definition do not include critical or unusual cases. The latter is the prerogative of the single case study design (Voss et al., 2002). Yin (2003) offers five points of justification for the choice of a single case study design:

- Representing a critical case in testing a well-formulated theory;
- Representing an extreme or unique case;
- One case that is representative of other typical cases;
- A revelatory case (something as till then unknown) or
- A longitudinal study that is examining the same single case at two or more points in time

Fonterra as a single case satisfied two of the above requirements: it was representative of other large businesses, but it was also unique due to the company's struggle with the fallout of the botulism scare. This state of affairs amplified the phenomenon under investigation as participants were expected to be particularly sensitive to the exercise of discretion in the workplace. Pettigrew (1990) indeed advises the researcher to go for extreme situations, critical incidents and social dramas: "If the phenomena to be observed have to be contained within a single or relatively small number of cases then choose cases where the progress is transparently observable" (Pettigrew, 1990, p.275). Fonterra provided the opportunity to intensely examine a single entity or particular event in context (Benbasat et al., 1987) and the single case design removed the distraction of restrictions imposed by the requirements of a comparative study (Flick, 2006).

3.3.4 Unit of analysis

Yin (2003), maintains that the unit of analysis is the same as the "case" and is related to the way in which the initial research question has been defined. The current research question: *"How do employees use discretion in the workplace?"* indicated that the place of work (Fonterra in this instance) would be the case under investigation, and therefore the unit of analysis. Organisations are however composed of individuals, grouped together in sub units, which are for example, defined by geographical location and functionality. These subgroups are therefore embedded units of analysis within the greater unit of Fonterra. From the perspective of Fonterra as the research subject, the case took on a holistic design. However, the research covered three different sites located on the lower north island, which could be seen as three horizontally embedded units of analysis. Additionally, members from different organisational levels were included, indicating units of analysis that were vertically embedded. Nevertheless, the holistic unit remained the main unit of

analysis, although additional insight was gleaned from an analysis of the embedded sub-units. Yin indeed advises that sub unit findings should always be related back to the main unit of analysis (Yin 2003).

3.3.5 Problems with case studies

Case research offers numerous challenges. It is time consuming, needs skilled interviewers and is limited in drawing generalizable conclusions (Voss et al., 2002). However, the single case design affords additional difficulties. For example, generalisation from a single case is not advised (Flick, 2006; Voss et al., 2002). There is the further risk that any single event may be misjudged, or that easily available data may be exaggerated (Voss et al., 2002). These are valid, though not insurmountable, concerns that were kept in mind.

3.3.6 Multiple sources of evidence

Interviews are in most cases the primary method of data collection, but researchers are encouraged to use as many sources as possible (Bloomberg & Volpe, 2008). Examples are different forms of documentation, archival records, direct observations, participant observations, and physical artefacts. In addition, surveys and questionnaires which are traditionally quantitative methods, can also be employed as supporting evidence (Yin, 2003).

In the current study, the researcher relied mostly on in-depth interviews to collect research data. On various occasions, participants referred to organisational systems and procedures, which served as an indicator of the contextual data that was needed in addition (Bloomberg & Volpe, 2008). This included organisational charts and leader structures; the organisational staff development and review system (with particular reference to the nature of the key performance indicators that were set for individuals and departments); previous staff motivation schemes (specifically the Elkeam model that some participants referred to); health and safety practices and procedures; standards of procedures; and importantly, the organisational value system. Documentation related to these systems and procedures was thus inspected to verify and confirm what participants shared with the researcher in the course of the interviews. The history of the dairy industry, with specific reference to Fonterra

ownership was furthermore explored by accessing material obtained during the on-site data collection phase, as well as newspaper reports on the botulism scare. Participants were also requested to complete a demographical questionnaire (appendix 4) which was later used to interpret individual contributions (Bloomberg & Volpe, 2008).

Site visits provided valuable insights into the physical work environment and aided the interpretation of participants' explanations of discretionary decision making, especially on the shop floor level. The Fonterra website and books about the history and processes carried out at the different sites also enriched the researcher's understanding, by providing a comprehensive picture of the context within which the research was carried out.

3.4 The Interview

For the purpose of this research study, the qualitative interview was seen as a 'construction site of knowledge' where conversation provided access to knowledge (Kvale, 1996) and an understanding of personal beliefs (Tafreshi & Racine, 2015). The researcher was less interested in superficial levels of knowledge, but more in the underlying personal views and ideas of participants so that the social meanings of their life worlds could be grasped more fully. Such knowledge could only be accessed by means of in-depth interviews, which derive their philosophical justification from G.H. Mead and Alfred Schutz: "*Depth-interviewers seek an intersubjective bridge between themselves and their respondent to allow them to imaginatively share (and subsequently describe) their respondent's world*" (Bloor & Wood, 2006, p.104).

Phenomenologists favour semi-structured interviews or narrative interviews (Flick, 2006) that are guided by conversations rather than structured queries (Yin, 2003). As a phenomenologist the researcher therefore concentrated more on the revelation of the phenomenon as expressed by the participant and focussed less on the construction of reality by virtue of the interview itself. The phenomenological method of interviewing involves three parts: description; investigation of essences; and phenomenological reduction. The interviews are open, and the intent is to

describe the phenomenon as precisely and completely as possible, instead of attempting to explain or analyse. Eventually, according to Husserl, the essences of the phenomenon will become apparent through identifying that which remained constant throughout. Judgement is suspended through the techniques of 'bracketing' in order to arrive at an unjudicised description of the phenomenon (Kvale, 1996). Through the questions asked and the part played by the researcher, the end product provided a new version of the way in which individuals viewed discretion. As Flick (2006, p.19) concludes: *"Qualitative research becomes a continuous process of constructing versions of reality. The version of people present in an interview does not necessarily correspond to the version they would have formulated at the moment when the reported event happened. It does not necessarily correspond to the version they would have given to a different researcher with a different research question. Researchers, who interpret the interview and present it as part of their findings, produce a new version of the whole"*.

3.4.1 The problem-centred interview

The problem-centred interview (PCI) developed by Andreas Witzel (2000) is characterised by three central criteria: problem centring (referring to the researcher's orientation to a social problem); object orientation (development and modification of methods with respect to an object of research); and process orientation referring to the research process and the understanding of the object of the research (Flick, 2006).

Through problem centring, the researcher concurrently worked on understanding the subjective view of the respondent while gradually using the communication to more precisely address the research problem (Witzel, 2000). Object orientation allowed for methodical flexibility, however the interview remained the most important instrument in this study (Witzel, 2000).

Methodologically the PCI leans toward the inductive position of sociological naturalism, while also borrowing from the theory-generating procedure of grounded theory (Witzel, 2000). The researcher assumed a position of general openness to the empirical observation which, besides previous theoretical knowledge, can be conceptualised as "tabula rasa", or working from a clean slate (Witzel, 2000).

Previous theoretical knowledge was used in the data collection phase for ideas around which questions were formulated during discussions between the interviewer and interviewee. The PCI provided the researcher the flexibility to guide the conversation when the need for that aroused.

The researcher entered the research field with an interview plan (appendix 5), structured around four loosely identified themes and supported by questions that could be used to guide the conversation. However, these questions were seen as a back-up plan, and it was often not necessary to formally introduce the themes. The conversations tended to cover these themes in a natural way and the sessions never took the form of a 'structured query'. Early on in the data collection phase, it was necessary to adjust the interview plan to allow for differences between participants who functioned on the upper and lower levels of the organisation. According to Voss et al (2002), such adjustments are not uncommon, and it is even possible for the research question to evolve and for the constructs to be modified, developed or abandoned during the course of the research. But an a-priori specification of constructs remained valuable for the researcher to interpret the constructs more accurately and to provide strong empirical ground for the emergent theory (Eisenhardt, 1989). Appendix 5 illustrates the questions that guided discussions with all organisational members, while appendices 6 and 7 shows the different approaches used for senior managers and lower level supervisors and shop floor workers.

Conversation techniques were applied according to the requirements of the developing communication. Depending on the varying degrees of eloquence and reflection of respondents, narration or recurrent questioning was used in the dialogue procedure. During the course of the interview, occasions arose where the conversation stagnated or became unproductive, in which case different strategies were used to stimulate conversation. However, the interviewer remained vigilant not to bring personal problem orientations into the discussion (Witzel, 2000).

For the purpose of this research, it was crucial to create an environment where participants felt safe to open up, knowing that their opinions and viewpoints were taken seriously. Due to the sensitive nature of the topic, such as discussions about

personal values, and opinions about ethical behaviour in the organisation, high levels of trust between the researcher and the interviewees needed to be achieved. This was attained through the problem centred interview, and following ethical research procedures, which will be explained in more detail later on.

In general, four communication strategies were followed: The conversational entry; general prompting; specific prompting; and ad hoc questions. For an example of how these strategies were applied, see appendices 3.2; 3.3, and 3.4. The researcher's training and experience as a social worker and the professional oath pledged to treat people with the utmost respect helped to reach the levels of trust and confidentiality that was needed to explore topics, which cut close to the private opinions and ideas of participants.

3.5 Research site access and selection of participants

The current study required the participation of employees in a large New Zealand organisational setting. One of the leading research questions were formulated to investigate the experience of discretionary decision making by employees on lower organisational echelons. Consequently, it was imperative for all organisational levels to be represented in the study. However, the first task was to gain access to an organisation that was relevant to the research problem (Bryman & Bell, 2015).

3.5.1 Site access

Gaining access to organisational members and being allowed sufficient time to execute a study of the scope required for a PhD enquiry, is often the most difficult step of the process (Bryman & Bell, 2015). These authors therefore suggest that friends and family contacts be pursued to obtain access to an appropriate research site. In addition, they recommend that something be offered in return; that a clear explanation of the research objectives be provided, and that the researcher is honest about the amount of time that is likely to be taken up. Their advice proved to be valuable, and by following their suggestions, the necessary access was gained. Although some other organisations were approached initially, access to Fonterra was gained after the researcher was introduced to the area manager by a friend and

former co-worker. During the initial discussion, it was agreed that it would be least disruptive to the operations of the organisation if the researcher were to physically enter the three sites and complete the data collection phase over a period of two weeks. Where necessary, follow-up was done through telephone conversations and e-mail correspondence. Access was allowed to three sites in the Taranaki: Whareroa, Kapuni, and Eltham. Detailed background about these three sites is provided in chapter four, “Research context”.

During the initial conversations, a very clear explanation of the research goals was provided to senior management. It was also pointed out that conversations with participants would last 40 to 60 minutes each. Senior management was informed about the expected duration of a PhD study, and that research outcomes would therefore be delayed for a prolonged period of time. The researcher offered an abridged version of the research outcomes on completion of the project. The selection of the individual participants depended on work schedules and was therefore delegated to the site managers of the three different sites. Arrangements for the interviews at the sites were made by phone and e-mail, and each site had a pre-established programme, as illustrated in the example exhibited in appendix 8. Very few changes were made to the pre-arranged programmes, and participants were seen on time at the agreed venues.

3.5.2 Research participants

The selection of individual participants was left to the site manager. This task was delegated to an administrative assistant at all three of the sites. The assistant negotiated with unit managers to make participants available for the interviews. However, participants were not under obligation, but instead were asked to volunteer their time to be a part of the research study. The researcher provided an information sheet, which informed the managers about the objectives of the study, and the time required from each participant. The researcher stressed the importance of including employees from all levels of the organisation.

For the purpose of this study, organisational decision levels were identified as strategic, tactical, operational, and staff levels and were defined as follows:

Strategic level: The strategic level of the organisation is made up of a small number of executives who establish goals, overall strategy, and operating policies (Davidson & Griffin, 2003). Strategic decisions are infrequent, long term decisions that critically affect organisational health and survival (Ackoff, 1990; Eisenhardt & Zbaracki, 1992). No strategic managers were included in the current study, since these leaders did not form part of the research sites included in the study. Some level of strategic decision making was exercised by site managers, but only two site managers were interviewed. Since it would be easy to identify the contributions of these participants if they were kept in a separate “strategic management” group, the decision was made to include them in the tactical people managers’ group in order to protect their anonymity.

Tactical level: Middle managers are situated on the tactical organisational level and make up the largest group of managers in most organisations (Davidson & Griffin, 2003). They usually have a mid-range horizon and are directed toward divisional plans (Ackoff, 1990). Tactical decisions are focused on the implementation of strategic decisions made by top management; are responsible for minor employment and human relations matters; and coordinate the work of plant supervisors (Davidson & Griffin, 2003). For the purpose of the current study, managers on the tactical organisational level were separated into two groups: those who were responsible for the management of people, and those who were in supportive roles such as finances, health and safety, human resources, engineering, and administration.

Operational level: First line managers supervise and coordinate the activities of operational staff and are situated on the operational level of the organisation (Davidson & Griffin, 2003). Operational decisions are short term decisions concerned with day-to-day operations (Ackoff, 1990).

Staff level: For the purpose of the current study, employees on staff level were seen as those employees who did not have any supervisory responsibilities, and performed operational or technical duties on the lowest level of the organisation. The abbreviations for the different levels were retained in the codes that were associated with each participant. In this way, it was possible to distinguish if

particular ideas were isolated to an organisational level, or if it was shared by members throughout the organisation. By this means, it was possible to identify the types of discretionary decision making made by employees on the different organisational levels. In addition, it helped to disclose how the organisational values permeated through the organisation.

Table 3-2 Number of participants per organisational level

Organisational level	Number of participants
Tactical People Manager (TPMG)	15
Tactical Support Manager (TSMG)	16
Operational Manager (OMG)	10
Operational Staff Member (OS)	9
Total	50

In table 3.2 the number of participants on each of the decision levels across the three research sites are summarised (more detailed biographical data of the participants can be viewed in appendix 9). Participant codes retained reference to the site where the individual was interviewed, which assisted to identify opinions isolated to individual sites, and opinions shared by across the different sites. The next are examples of participant quotes from different sites and organisational levels:

“quote” (W3) TSMG: Tactical support manager at the Whareroa site

“quote” (K7) TPMG: Tactical people manager at the Kapuni site

“quote” (E7) OMG: Operational manager at the Eltham site

“quote” (K13) OS: Operational staff member at the Kapuni site

The biggest challenge was to gain access to operational staff members, who worked on production lines. Although the importance was emphasised when the interviews were arranged, few participants were made available on this level. However, sometimes researchers have to balance what is desirable against what is possible (Buchanan, Boddy, & McCalman, 1988). To increase feedback on this level, the researcher asked permission to meet with employees when they took their ‘smoke break’. These were not formal interviews, but rather informal conversations that

took place around tables in the 'smoko hut'. It did however help to form a better impression of decision making on the operational staff level.

In some instances, participants were made available in small groups, which suited the operational schedule of some of the business units better. Although individual interviews were the preferred method of data collection, the three groups included in the study were treated as focus groups. The main feature of a focus group is the simultaneous involvement of participants to generate data (Carson et al., 2001). Where groups were involved, the researcher ensured that all participants were from the same organisational level (which improved their willingness to share ideas and motivations) and that the group size did not exceed a total of six to eight members (small numbers are conducive to participation of all group members).

3.5.3 Ethical considerations

Researchers are required to enter into an agreement with their participants that clarify the nature of the research as well as the rights and responsibilities of all parties concerned (McBurney, 2001). It was therefore vital to obtain informed consent from all participants (Carson et al., 2001). The current study met the ethical requirements set out by the University of Waikato. Before the commencement of the study, an ethical application was submitted to, and approved by the ethics committee. Next, information sheets and consent forms were drafted for individual participants as well as senior management, who committed the organisation to the research study. Information sheets for individual participants included the following: information about the nature of the study; information about the recording, storing, and eventual destruction of data; rights and responsibilities of participants; and protection of participant identity. A similar information sheet was used to request access to the organisation. In addition to the points covered in the individual information sheet, the information sheet for organisational access explained the time requirements and number of participants needed. Furthermore, consent for the company to be named in the research was sought and granted by the organisation. Consent forms were distributed to senior management as well as individual participants. By signing the forms, an agreement to informed consent was reached, subject to the conditions set out in the information sheets.

During the course of the interviews, the researcher continued to emphasise anonymity of participants. It was also stressed that their participation was voluntary, and that they could withdraw statements (or from the study overall) if they wished to do so. The researcher maintained an understanding, non-judgemental attitude and demonstrated a sincere interest in participant's ideas and opinions (Patton, 2009). The next part of this chapter will be devoted to the procedures employed for the analysis of the research data.

3.6 Data Analysis

Data analysis is not the tail end of a research project but is an iterative process which in fact already begins when field notes and interview notes are made during data collection (Drew et al., 1996). It can roughly be divided into two major stages of 'detective work' and 'a creative leap' (Mintzberg, 1979). The first stage can also be described as the *convergence* stage and the second as the *divergence* stage (Guba, 1978). During convergence (the detective stage), aspects of the data is sifted out in order to generate themes. Divergence (the creative leap) involves the development of these themes, where connections are made between the themes and also between what has been discovered and what had already been known.

The discussion will be in keeping with these two stages, but divided into five steps, which propelled the researcher from raw data to theory development. The five steps are based on the work of Auerbach and Silverstein (2003) and Guba (1978)

1. Identifying repeating ideas
2. Identifying themes: organising repeating ideas into implicit topics
3. Making connections between themes
4. Making connections between what has been discovered and what is already known
5. Developing theory:
 - a. Getting closer to the research concern
 - b. Abstract grouping of themes
 - c. Bridging researcher's concerns and participants' subjective experiences

The current study moved through these steps, but not always in a linear fashion. Steps one and two represented the work done in the ‘detective stage’ while steps three to five were accomplished during the ‘creative leap’.

Stage one, ‘detective work’, involved trailing through data in search of patterns and consistencies in a process that was rather untidy in nature (Mintzberg, 1979). During this first stage, the acquired data was transcribed into free-flowing text; and a thematic analysis was carried out through both inductive and deductive coding. These steps as well as the use of computer assisted qualitative data analysis software (CAQDAS) will next be discussed in more detail.

Stage two, ‘the creative leap’, entailed breaking away from the expected to describe something new (Mintzberg, 1979). The desired outcome of this research study was the generation of theory, not for the sake of being true or false, but rather for the purpose of being useful, stemming from “...*detective work well done, followed by creative leaps in relevant directions*” (Mintzberg, 1979, p. 584).

3.6.1 Stage 1: Detective work

For this study text acquired through semi-structured interviews in the sociological tradition (which treats the interview as a window into the experience of decision making at work) was analysed. This is opposed to the linguistic tradition that treats the text as an object in itself (Ryan & Bernard, 2000). Interviews were the means by which the researcher was allowed access into the life world of individuals in the business environment of New Zealand’s largest dairy industry.

Responses to open-ended interviews yielded rich free-flowing text as unit of analysis. The interviewing task was approached both inductively and deductively. Carson indeed explain that “*pure induction without prior theory might prevent the researcher from benefiting from existing theory, just as pure deduction might prevent the development of new and useful theory*” (Carson, 2001, p.99). Although an interview guide was prepared based on a priori knowledge of the research subject, the prerogative was retained to make necessary changes during the data collection phase, as advocated by Eisenhardt (1989). This naturally led to a similar approach to data analysis, which iterated between inductive and deductive tactics. Such an

approach to both data collection and analysis fit well with the phenomenological research methodology.

Different methods can be applied to analyse raw text (Ryan & Bernard, 2000). Text can either be analysed by focusing on words or on blocks of text. Removing words from the context in which they occur can lead to a loss of subtle nuances (Ryan & Bernard, 2000), and therefore the current text was analysed by using blocks of text. This approach aided the interpretation of what was said within context. In fact, transcribed verbatim is more often analysed through thematic analysis than word-based approaches (Guest et al., 2012). Boyatzis (1998) promotes a data-driven inductive approach to thematic analysis. He describes a three-phase process starting with the recognition of a pattern in the data, which lead to the identification of themes. Themes are then awarded a label, description or definition (Boyatzis, 1998). In the current study, a line-by-line reading of the text enabled the researcher to identify and add themes and sub-themes. The labels awarded to the themes were referred to as ‘codes’ (this terminology was chosen since it was consistent with the language used in Atlas.ti, the software that was used to analyse the data). However, general themes have also been identified from the literature a-priori, such as described by Crabtree and Miller (1999). These codes were based on the research question and theoretical framework. Codes were not only used to identify recurring ideas, but also served as devices for retrieval and organisation (Carson et al., 2001; Ryan & Bernard, 2000).

3.6.1.1 Identifying repeating ideas

‘Open coding’ was employed to identify potential themes. This is the identification and categorisation of terms used by participants or ‘in vivo’ coding (Ryan & Bernard, 2000). A useful technique in the coding of the data was to take note of the three types of notes identified by Ryan and Bernard: code notes (the concepts that are being discovered); theory notes (own summary of what is going on) and operational notes (notes about practical matters). These notes were most easily made as ‘new comments’ in the ‘review’ tab of MS word. Later these field notes were transferred into the “memo” function of Atlas.ti.

3.6.2 Computer assisted qualitative data analysis software (CAQDAS)

The data analysis phase can potentially be the most prodigious part of a research project. Qualitative research projects by nature deals with large amounts of data that needs to be systematically analysed in rigorous ways (Konopàsek, 2008). Mountains of data are accumulated over time, and the researcher can easily feel overwhelmed by the prospect of organising it in such a way that it can be systematically retrieved for the important task of theory development. Each step of the research process creates new uncertainties and anxieties for inexperienced researchers. In executing the current study, the researcher was open for anything that could help alleviate these unwanted effects.

To assist in data analysis, CAQDAS was consequently employed. Although management researchers do not regularly report on their experiences with qualitative data analysis software (Woods, Paulus, Atkins, & Macklin, 2016) it is a growing trend amongst qualitative researchers for a variety of reasons. The coding and retrieval process is faster and more efficient, it is helpful in the development of explanations, it enhances transparency, and it aids the researcher in finding possible connections between codes (Bryman, 2008; Schiellerup, 2008).

However, valid concerns with such analysis methods should not be ignored. For example, researchers might be tempted to quantify findings and it could lead to an over-concern with quantitative research matters such as reliability and validity criteria. Focus on the code-and-retrieve process may result in a fragmentation of textual material and a loss of the narrative flow of the transcripts; the risk of de-contextualisation; as well as time involved in learning the mechanics of the software and acquisition costs (Bryman, 2008). There is still limited discussion of the ‘how to’ of using CAQDAS for qualitative analysis (Cambra-Fierro & Wilson, 2011; Woods et al., 2016) in the literature, and the next discussion of how Atlas.ti has been employed in the current study is a contribution to this gap in the literature.

Atlas.ti and NVivo are examples of the best available and potentially most useful computer assisted tools (Lewis, 2004). Both of these programs have their strengths and weaknesses, but in the end, it was a matter of personal preference in deciding which one to use. After trialling both of these programs, the researcher felt much

more comfortable with Atlas.ti and was very grateful for “*not doing this kind of research back in the days when it featured such fun activities as papering your walls with Post-It notes or 4x6 cards, perhaps even gussied up with diverse highlighter colours*” (Lewis, 2004, p.461).

Atlas.ti was indeed helpful in appeasing the nagging feeling of ‘getting it wrong’ (Schiellerup, 2008). However, the fact remained that it was the prerogative of the researcher to make sense of and interpret the data that Atlas.ti would merely help to organise and retrieve. The use of CAQDAS also makes it easier for others to follow the researcher’s progress from the field to the realm of textual data.

The use of Atlas.ti involved the opening of a ‘new project’ into which various data forms could be imported as ‘primary documents’. Relevant quotes from these documents (for example interview transcripts) were then coded by assigning pre-determined codes, or adding codes that emerged through the analysis process. Definitions for each of the codes were entered into Atlas.ti. The researcher regularly reviewed the definitions to make sure that specific codes were used for the same reason within and across texts.

The process of coding and searching for themes cycled through stages of expansion and contraction. At the end of the initial coding process, 100 codes had been generated. Some of these were a product of the researcher’s previous knowledge of the subject. For instance, some were created *a priori* and related to the concept of discretion, dimensions of discretion, values, organisational regulation, and change. However, as the coding process progressed, some of the codes were divided into ‘sub codes’ when it became apparent that a number of participants shared a particular idea about the specific code. This practice expanded the list of codes. For example, the initial concept of discretion was selected to indicate participants’ individual understanding of the concept, but through the coding process was divided into nine sub codes:

Table 3-3 Sub-codes for 'discretion'

Discretion	Discretion: Definition or description
	Discretion: Difficult
	Discretion: Easy
	Discretion: Elements
	Discretion: Empowering employees
	Discretion: Management expectations
	Discretion: Management view
	Discretion: Physical absence
	Discretion: Opinion about using own

The last sub-code, 'opinion about using own' was sub-divided again when it became obvious that some participants shared common ideas about using their own discretion:

Table 3-4 Sub-codes for 'Discretion: Opinion about using own'

Discretion: Opinion about using own	Satisfied
	Dissatisfied
	Indifferent
	General
	Limited
	Not disclose

3.6.2.1 Identifying themes: organising repeating ideas into implicit topics

On conclusion of the coding process, the researcher inspected the codes and found that some belonged together in code categories. At this stage, the code list contracted as nine categories were identified, and codes were associated with the categories. Some of the codes that were closely related were merged, and the remaining 83 codes were allocated to the nine categories:

- Change 11 Codes
- Collaboration 8 Codes
- Context 13 Codes
- Discretion 18 Codes
- Dimensions 8 Codes

- Judgement 4 Codes
- Principles 13 Codes
- Rules 10 Codes
- Ambiguity 6 Codes

On closer consideration, it was found that the codes belonging to the last two categories, 'rules' and 'ambiguity' could be absorbed by the remaining seven categories. Thus, seven categories remained. However, one particular code 'underlying reasons for decisions' which belonged to the 'Rules' category was found to be significant, with 58 quotes associated with it. It was therefore decided to separate this code to form a category of its own, which brought the number of categories to eight.

Next, the final eight categories were considered in terms of their potential to answer the overarching research question: How do employees exercise discretion in the work place? By reviewing the codes that were associated with each of the eight categories, three groups were formed. In group one, the codes mostly contributed to describing conditions or circumstances under which employees would use their discretion. Group two related to factors that impacted on employees' ability to use discretion, and group three to the foundations of discretionary decisions (see figure 3.1). Not all codes were retained at this point. Some of the codes were associated with only one or two quotes. After re-reading the quotes that these codes were associated with, it was decided to either merge it with one of the other codes, or to exclude it for the purpose of the present study. None of the codes were however discarded, as it could be of use in future studies (Auerbach & Silverstein, 2003).

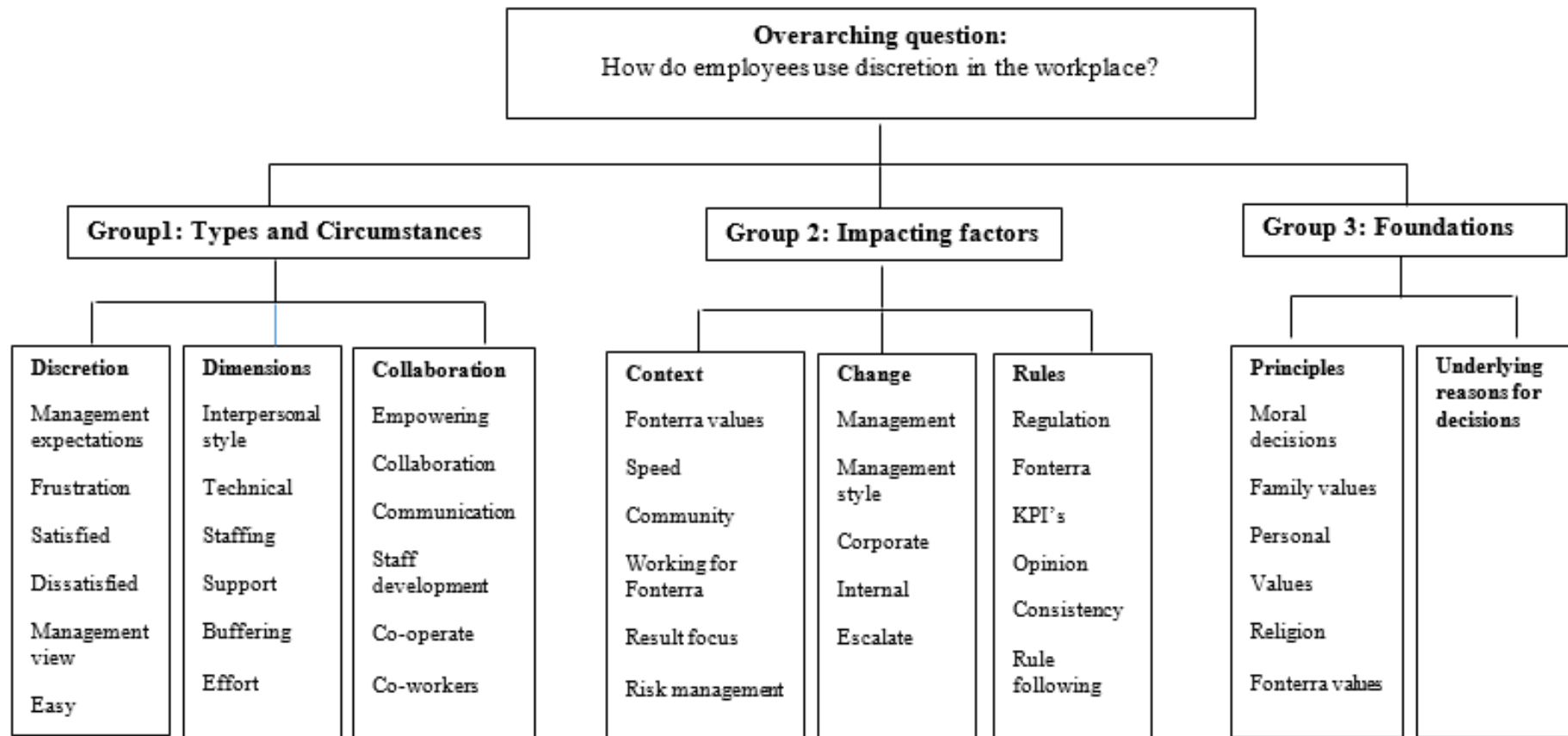


Figure 3-1 Three groups of categories relating to the overall research question

It was at this point that the researcher started to transition from ‘detective work’ to making the ‘creative leap’ toward the development of new theory. Theory development involves the identification of patterns that emerge from the data (Auerbach & Silverstein, 2003). Although patterns were already starting to emerge, the researcher was up until this point still very much involved in the thematic analysis and categorisation of raw text, which precedes the development of theoretical constructs (Auerbach & Silverstein, 2003). The next section contains a description of the process by which a new theoretical framework developed from the data.

3.6.3 Stage 2: The creative leap

Stage one explained the process by which ‘detective work’ was done in the first phase of data analysis. It is however the second stage or ‘creative leap’ (Mintzberg, 1979) that led to the development of new theory. Auerbach and Silverstein (2003, p. 32) define theory as “...*a description of a pattern that you find in the data*”. However, the process that leads to the description of such patterns, is often a messy one (Mintzberg, 1979). Stage two involves the creative interpretation of collected data, which brings the researcher closer to the research concern, or that which was the primary interest of the enquiry in the first place (Stake, 2000; Auerbach and Silverstein, 2003). It requires a continuous backward and forward move between the data and the classification system. The creative leap is highly inventive, and there is in fact no ‘right way’ in which the data can be interpreted (Auerbach & Silverstein, 2003). In the current study, step three straddled the two stages of ‘detective work’ and ‘the creative leap’ Connections were made between the eight categories, and associated with three major themes.

3.6.3.1 Making connections between themes

When the eight categories were re-examined in light of the three research sub-questions, it was very clear that they needed to be re-arranged to address the research concerns. By iterating between the literature and the data, it was possible to make connections between the identified themes. Figure 3.2 illustrates how the eight categories related to the questions.

Sub-question 1 asked: *How do employees on different organisational levels exercise discretion?* and was clearly related to the ‘dimensions’ category in the ‘types and circumstances’ group. During the initial coding stage, all examples of discretionary decisions that were offered by the participants were coded ‘example’. This proved helpful at this point of the analysis, as the researcher could go back to Atlas.ti and create an additional report for ‘examples’. Although some of the ‘examples’ quotes overlapped with those included in ‘dimensions’ it was a necessary step to ensure that all examples of discretionary decisions on the different organisational levels were included in the analysis to address question 1.

Sub-question 2 asked: *How do values impact on the use of discretion?* Categories from all three of the groups applied to question 2: collaboration; context; principles; and underlying reasons. The last two categories from the ‘foundations’ group ‘principles’ and ‘underlying reasons for decisions’ was an obvious match with the foundations of decision making. However, the connection of the categories ‘collaboration’ and ‘context’ became obvious through an iteration between the data and the literature. Collaboration was not expected to play such an important part in the discretionary decision making process. In addition, the link between collaboration and the foundations of decision making only emerged after the discovery of the social nature of employees’ terminal values.

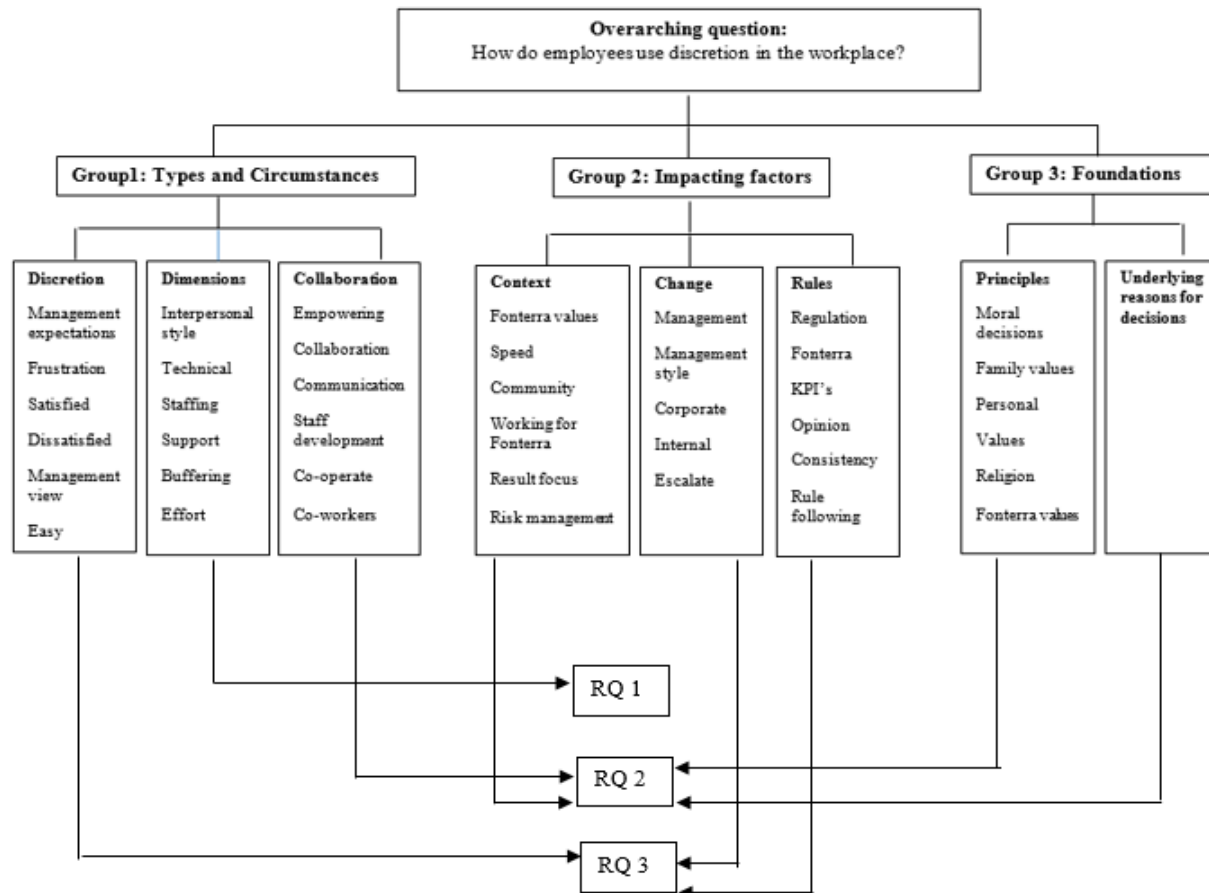


Figure 3-2 Categories associated with the research sub-questions

Sub-question 3 asked: *What factors contribute to or inhibit the use of discretion?* The categories ‘change’ and ‘rules’ obviously related to this question. The impact of management style on the use of discretion (located in the category ‘discretion’ in group one, ‘types and circumstances’) also strongly related to this last sub question.

The process as described above is not unusual at this stage of the analysis process. The creative part of inductive research analysis involves careful judgements about what is significant in the data, requiring significant reflection and intellectual input from the researcher. By linking the theory to the data, interrelationships and links between the themes and categories are uncovered (Carson et al., 2001). This process was greatly enhanced by the use of pictorial models and was also the means by which the transition was made from step four to step five where theoretical constructs were developed and a bridge was formed between the researcher’s concerns and the subjective experiences of the participants.

3.6.3.2 Developing a theoretical framework to retell the story

The development of themes is the first step in progressing from the empirical to the theoretical. The process is characterised by the merging and rearranging of themes until the raw data is significantly reduced or concentrated to reflect a more abstract concept or topic. Based on the researcher’s previous experience, the themes are integrated into a ‘theoretical web’ (Bendasolli, 2013).

Due to its creative and conceptual nature, models are particularly useful in qualitative research (Carson et al., 2001). In the final stages of the research process, new theoretical constructs were developed, and a number of pictorial models such as continuum models and sequential flow models were employed to conceptualise the ways in which these constructs interacted with each other. It was with the aid of a series of pictorial models that the researcher eventually succeeded to tell the story that bridged the worlds of the researcher and the subjective experiences of the participants (Auerbach & Silverstein, 2003). At the end of this process, a new conceptual model consisting of three major parts was produced. Central to the model was the discretionary decision making process, which clearly indicated the social nature of the process within the context of Fonterra. Second, the model

illustrated the continuous move between intrinsic and extrinsic discretion, driven by a number of factors associated with the organisation, interpersonal relations, and the decision maker as an individual. Last, it depicted the outcomes that individual decision makers desired for their engagement in the use of discretion.

3.7 Assessing the study

Interpretive research is often described as ‘subjective’. However, since interpretive research is about understanding, instead of establishing ‘truth’, subjectivity should be harnessed rather than excluded (Nordqvist, Hall, & Melin, 2009). The usefulness of an interpretive study can therefore not be evaluated by using positivistic criteria such as ‘validity’ and ‘reliability’ (Nordqvist et al., 2009). Instead, qualitative scholars offer different criteria to evaluate qualitative research. The quality of the current study is therefore considered in light of Tracy’s (2010) eight criteria:

Worthy topic: First, the relevance, timeliness, and interest of the topic should be considered. The relevance of the current study has been described in chapter one, and was further elaborated upon in chapter two, the literature review. The importance of ethical business practices has been highlighted on an international level (the global financial crisis) and on a national level (Fonterra’s botulism scare) preceding the execution of this study. Within these circumstances, an enquiry into discretionary decision making was considered both relevant and timely.

Rich rigor: Interpretive studies should use sufficient, abundant, appropriate, and complex theoretical constructs, data, data collection procedures, and data analysis procedures (Tracy, 2010). In the course of chapter three, the methodical rigor of the current study has been explained in detail, in keeping with the philosophical nature of this phenomenological study.

Sincerity: The sincerity of the current study was demonstrated by recognising and discussing the influence of the researcher’s personal values and a-priori knowledge of the subject on the research in chapter three. Transparency was enhanced by a clear discussion about the research methods that were employed as well as the challenges that were faced in the field.

Credibility: The credibility of the research was facilitated by thick descriptions and concrete detail in the findings chapters. In chapters five, six, and seven, data was presented without the interpretation of the researcher, which allowed readers to form their own opinions about the information shared by the participants. Actions reported about in chapter four (research context) served as triangulation, where the organisational processes that were discussed in the interviews were viewed in valid organisational documents. Further interviews were conducted to clarify terminology, processes, and timelines used by the participants during the interviews.

Resonance: Qualitative research should potentially be valuable to audiences across a variety of contexts and situations (Tracy, 2010). A presentation at an international conference showed that the topic answered to this notion of ‘transferability’ as described by Tracy. Informal discussions with practitioners indicated that the research was indeed transferable, and potentially useful to improve management practices. In addition, the researcher offered ideas about the contributions to theory, research, and practice in chapter nine.

Significant contribution: In chapter nine, the contribution of the current study is set out in detail in terms of theory, research, and practice. The significance of the current study resides in its potential to empower participants to examine and reflect on the world they live in, rather than to change their world. In fact, many of the participants expressed appreciation for the opportunity that the research provided them to reflect on their personal values and motives for their own and others’ decisions. The researcher’s original application of research methods and methodology furthermore provided insights that may contribute to future researchers’ practice of methodological skills.

Ethical: Both procedural ethics (dictated by the university) and relational ethics (the personal conduct of the researcher in the field) were considered of great importance. The steps taken to ensure the ethicality of the research study has been discussed earlier in chapter three.

Coherence: A meaningful level of coherence was achieved by selecting appropriate research methods to investigate the topic of concern. Similarly, data analysis procedures and strategies for theory development were selected to fit the phenomenological philosophy that underpinned the study. Interconnections

between the literature and findings as it addressed the research questions were discussed in chapter eight of the thesis.

In chapter three, the research methodology as well as the practices and procedures that were followed to design, execute and evaluate the research were discussed in detail. The purpose of the next chapter is to provide more detail about the context within which the study was carried out.

Chapter 4: Research Context

4.1 Introduction

In chapter three, the importance of context in understanding how organisations work was discussed. In particular, the significance of the social and organisational factors for contextualist researchers was pointed out (Heath & Sitkin, 2001). The purpose of chapter four is therefore to describe the environment within which the current research study was carried out. The decision making activities of research participants were examined within three Fonterra sites in the southern Taranaki.

First, an overview of the history of the New Zealand dairy industry (which ends with the establishment of the dairy giant Fonterra in 2001) is provided. Although the New Zealand dairy industry is 200 years old, Fonterra is a young organisation dealing with continuous change as it develops into a corporation of international stature. Next, an account is provided of the historical process by which Fonterra was formed. This is followed by details about the current organisational strategy, with emphasis on quality, health and safety, and human resource management practices. Furthermore, the organisational values will be introduced together with the core principles of the organisation. Last, the geographical location and operational purposes of the three sites that were included in the research study: Whareroa, Eltham, and Kapuni is discussed, followed by some concluding remarks.

4.2 Historical overview of the New Zealand Dairy Industry

The history of Fonterra has been well recorded, but this discussion focuses on those aspects of history that relate to the research topic in important ways, for example the struggles created by regulation and the impact of the values and principles of central figures on the foundations of the company that we see today. The dairy giant Fonterra, grew from humble beginnings. It is now exactly 200 years ago that the missionary Samuel Marsden landed the first bull and two heifers to the Bay of

Islands in 1814, setting the establishment of the New Zealand dairy industry in motion. New Zealand proved to have the ideal climate and fertile ground (once it was cleared) to provide extended pasture growing seasons compared to the Northern hemisphere (Lind, 2013). However, the remote geographical location and the nature of dairy products that was produced daily and subjected to rapid decay, complicated trade with the outside world. Technology played a significant role in the development of agriculture in New Zealand, for example the arrival of cooler trucks to transport milk from the farms and the development of refrigeration, which made export to England possible. The first shipment of butter and cheese was sent to London on the ss *Dunedin* in 1882. However, the international dairy trade would not be an easy road to travel and leaders of the industry had to find ingenious ways of navigating challenging obstacles such as the exclusion of New Zealand from the European market and the deregulation of the New Zealand economy.

By the late 1960's England was receiving nearly 80% of all New Zealand's dairy shipments. This profitable arrangement came under threat when England was allowed to join the EEC (European Economic Community) and to enter the European Common Market in 1973, a move that had a significant impact on the NZ dairy industry. The EEC strived for an "ever closer union among the peoples of Europe" (Lind, 2013, p.32) and encouraged trade among member countries to the exclusion of anyone else, including New Zealand. This change could have had a devastating effect on the New Zealand dairy export business, but instead it accelerated New Zealand's search for alternative markets. A special arrangement (known as protocol 18 of Britain's Treaty of Accession) extended New Zealand's dairy export to Britain, but by 1984 this market was providing less than 20% of New Zealand's total earnings, with the rest coming from sales to south-east Asia, the US, Japan, Latin America and other regions (Lind, 2013). Britain's decision to join the EEC led to the transformation of the Dairy Board "*from a commodity supplier with one dominant outlet into a respected international marketer*" (Lind, 2013, p148-149).

In 1984 the New Zealand dairy industry faced yet another major battle. In the preceding years New Zealand businesses enjoyed government support and protection in one form or the other, but the Labour government of 1984 introduced

a comprehensive program to deregulate what had been a highly regulated economy (Evans, Grimes, Wilkinson, & Teece, 1996; Te Ara, 2014). The New Zealand dairy industry suddenly found itself competing as a free market dairy industry with government subsidised rivals. At this time just five percent of the world dairy consumption was open to free trade (Lind, 2013). Regardless of this apparent position of disadvantage, dairying developed into the most profitable farming enterprise in New Zealand (Te Ara, 2014) and managed to become the only dairy industry in the world able to operate profitably without government support at a time when all of its competitors had the luxury of protected domestic markets (Lind, 2013). However, organisational founders had a major impact on how the group solved these kinds of problems.

The New Zealand dairy industry is inundated with examples of leaders who demonstrated creative thought and problem solving. These early founders also established a core system of values that still supports modern-day Fonterra. Values such as trust, boldness, ingenuity, and exceptional achievement have been inculcated by Fonterra's early leaders. Examples are plentiful throughout the history of the organisation (Lind, 2013). One instance is the way in which the Dairy board dealt with an international oversupply of butter in the 1990s. Through an ingenious approach and solid international relationships, a transaction was negotiated to remove a large part of the global surplus, and Lind states that "*The deal was an extreme example of the ability Board staff had developed to engineer complex multi-national arrangements. They had the commercial expertise to deal with buyers like the Russians, and the confidence of overseas officials that their word could be trusted*"(2013, p.216).

Fonterra arose from the work of many exceptional leaders, one of whom was Bernard Knowles, appointed as the Board's general manager in 1975. He firmly believed in the collective strength of the New Zealand dairy farmers, and believed that anything was possible, unless there was a specific law to stop it. He was prepared to push forward where others feared to tread, and gave the same freedom to his staff (Lind, 2013).

Another outstanding character was Warren Larsen who was selected as CEO of the Dairy Board in 1992. Larsen strongly believed that employees were much more capable of achievement if they worked for an organisation with a strong culture; and that successful companies were those that put values before processes and kept faith with their people (Lind, 2013). He also believed that there should be no fear of taking balanced risks; that people would make mistakes from time to time, but that these should be opportunities to learn from. Rosen, Digh, Singer and Phillips (2000) later praised Larsen's business approach and New Zealand's resourcefulness and readiness to embrace change.

These extracts from the history of the New Zealand dairy industry are only examples of repeated instances where resilience was proved in challenging situations. Tight regulatory control did not prevent them from finding alternative solutions and exhibiting high levels of confidence and courage to establish the industry as a world leader. Leaders persistently modelled an attitude of determination to find ways around obstacles, and Knowles and Larsen are just two examples of many. Early founders of the New Zealand dairy industry demonstrated courage, boldness, ingenuity, integrity and exceptional achievement. It is well known that these types of characteristics persist throughout an organisation's lifetime (Schein, 1983) and are therefore likely to be part of the present Fonterra culture.

The next section is included to provide a glimpse on the fascinating journey leading up to the founding of Fonterra. Through a process of mergers and consolidations of numerous smaller dairy co-operations spanning 130 years, Fonterra came into being on 1 June 2001. Although the dairy industry in New Zealand has a long history, Fonterra is a relatively young company still dealing with the aftershocks of a major merger between New Zealand's two biggest dairy companies (Kiwi and New Zealand dairy group) and the New Zealand Dairy Board. The merger brought together various organisational cultures and its associated challenges.

4.3 The founding of Fonterra

The New Zealand dairy industry started out as small proprietary dairies producing butter and cheese. These dairy companies bought milk from farmers at set seasonal prices, and took the risk in the market. However, the dairy farmers wanted more control over their product in the market and embraced the co-operative principle. In 1871 therefore, the first dairy co-operative of New Zealand was formed – the Otago Peninsula Cheese Factory (Lind, 2013). This was only the beginning, and mergers and consolidations continued at a steady pace over the next 130 years in order to share cost and to increase the efficiency and competitiveness of New Zealand's dairy industry. In the 20 year period from 1962 to 1982 for example, a total of 180 factories merged to 35, while specifications of the goods they produced increased from 50 to 2000 (Lind, 2013). In 1923 the Dairy Produce Control Act was passed and the Dairy Control Board was established by the Government to control all dairy produce and services. In 1935 the word 'Control' was dropped from the title and the Dairy Board was authorized to bring order to the export market. Over time the Dairy Board morphed into a single-seller on behalf of the New Zealand dairy producers. It would serve as the statutory board in control of the sale of all NZ dairy products (Dairy Products Export Control Act 1923) and operate through a global network of marketing subsidiaries. By 1986 the dairy Board's activities had expanded from a bulk supplier of milk and cheese to a single market to some 500 products sold around the world (Lind, 2013).

There was no free market for New Zealand's dairy products and state purchasing authorities in most export markets needed a strong seller. The idea of one company representing the entire dairy industry was becoming more and more attractive. Three arguments for a single company were put forward: First, New Zealand was a minor part of the world dairy production, and needed to combine its forces to have sufficient strength to market its products; second a co-operative was tied to New Zealand by its supply base while a company with tradable shares were more likely to move to offshore ownership; and third the country as a whole needed at least a few large businesses, and dairy remained the leading contender (Lind, 2013).

Two significant mergers in the early nineties accelerated the formation of Fonterra. The first was between Waikato Valley and the NZ Dairy Group in 1991 (later joined by Bay milk) which ensured the newly formed company control over 48% of New Zealand's milk. A second significant merger took place in the Taranaki, when Kiwi Dairies in the south of the region and Moa-Nui on the north agreed to merge, giving them control over nearly 20% of the nation's milk. When Northland joined Kiwi in 1999, Kiwi dairies eventually controlled 36% of the nation's milk. However, the key to the final merger was the Dairy Board who held the intellectual property, international sales, marketing network, and experience needed by both companies. A merger between these three entities was proposed by the McKinsey report in 1999 as an ideal structure to move the dairy industry forward. The joint ownership of the Dairy Board, a critical asset to both Kiwi and NZ Dairy Group would eventually drive the two dairy companies into a merger (Lind, 2013)

Before the final merger could take place several obstacles had to be overcome. A preliminary view of the Commerce Commission (the Government's competition watchdog) in 1999 declined the proposed merger. Therefore, the industry needed to convince the Government to introduce legislation that would allow competition in its domestic market, thereby avoiding the need for the Commerce Commission's agreement (McNulty, 2001; Reference for Business, 2014). Furthermore, a 75% vote of the two co-operatives' shareholders would be needed (Reference for Business, 2014). However, when farmers were asked to cast their vote on 18 June 2001, 83% of Kiwi suppliers and 85% of dairy Group shareholders voted for the merger. The day after, the Dairy Industry Restructuring Bill was introduced into parliament and became law within two months (Lind, 2013). The Act opened the way for New Zealand's largest dairy companies, Kiwi Co-operative Dairy Company (Kiwi) and New Zealand Dairy Group (NZDG) to merge with the Dairy Board to form Fonterra. Further, the Act allowed the smaller dairy companies, such as Tatua and Westland, to become separate co-operatives (Dairy New Zealand, 2014). But at this point a scandal of major proportions was uncovered that would set the merger off to a rocky start.

Under the Dairy Board Act, dairy companies were required to sell all exports through the board, but an unlawful export of more than 75 000 tonnes of dairy

products worth more than \$45 million dollars came to light in April 2001. The scandal became known as “Powdergate” after the US Watergate scandal of 1974 (Lind, 2013). Both NZ Dairy Group and Kiwi Dairies were implicated (Stevenson, 2001, November 9). Five years later seven men were charged with fraud, two of whom were Kiwi executives. They admitted that repacking and relabelling milk powder to get around export regulations was common practice (“Powdergate’ discharge,” 11 May 2007). Although industry deregulation and the formation of Fonterra prohibited a reoccurrence of such wrongdoing, the scandal had ramifications for the industry’s international reputation (Rotherham, 2001). The image of integrity and trust established by the efforts of the dairy industry’s founding leaders, were tainted. John Roadley, the first chairman of Fonterra therefore importantly declared: *“The end result I seek from this investigation is the ability to stand before any shareholder, any official from any Government in the world, any joint venture partner, any employee and any customer, and say that Fonterra, its board and its executives practise high standards of integrity, consistent at all times and in all respects with our newly adopted code of conduct”* (Stevenson, 2001, November 9).

Despite this problematical start, the amalgamation between NZ Dairy Group, Kiwi Dairies, and the NZ Dairy Board took effect on 1 June 2001 to form GlobalCo, owned and operated by New Zealand’s dairy farmers. The final merger document introduced the amalgamation as follows: *“The parties want ... a new entity which will enable the industry to meet its objectives by (among other things) implementing an agreed industry strategy; and efficiently and effectively marketing dairy produce”* (Lind, 2013, p.382). The company’s name was later changed to Fonterra, a word of Latin origin with no literal meaning, but a pleasing association with the land and what could come from it (Lind, 2013).

The early history of the New Zealand dairy industry illustrated the perseverance and courage of its leaders to overcome severe hindrances. The eventual founding of Fonterra was similarly fraught with obstacles such as legislative challenges and the Powdergate scandal. However, its 10 000 shareholders gave their vote of confidence that the leadership of Fonterra would be able to steer this giant co-operative to international prominence. The next part of this chapter will look at how

Fonterra has been moulded and structured over the thirteen years since its conception to achieve this objective.

4.4 Current Fonterra Strategy

Fonterra is part of the complex, global collective of diverse businesses that supply food for human consumption around the world. Fresh milk is prepared and dairy products are manufactured to the specifications of more than 100 importing countries (Fonterra, 2014). The organisation navigates a labyrinth of local, regional, national, and international rules and regulations for food production and sale. To produce or sell food in New Zealand or for export, there are set requirements to not only protect consumer's health but also New Zealand's reputation overseas. These requirements cover dairy manufacturing, storing and transporting, monitoring and testing, exporting, and dairy market access (Foodsafety New Zealand). Participants in this research study were all employed in the areas of manufacturing, storing and transporting, and monitoring and testing. Three areas of regulation impact the discretionary abilities of these employees in important ways: Quality; Health and Safety; and Human Resource Management. The next three sections will cover these areas, and will be followed by a discussion on the core principles and organisational values of the organisation as found in the Fonterra Operational Framework.

4.4.1 Quality

To ensure that consistent standards for quality are applied globally the 'Fonterra Quality Standards and Quality Reference Documents' have been introduced. The standards specify non-negotiable requirements to which compliance has to be demonstrated. Standard Operating Procedures (SOP's) specify the standard work processes that have to be followed to ensure that the Fonterra Quality System and Standards are implemented and complied with throughout all Business Units. The Quality System supports Fonterra Group policies such as health and safety, social, environmental, economic, and biotechnology policies (Fonterra, 2014).

Doing business in many different countries and cultures provides a challenge due to various regulations, standards and commonly accepted practices that the

company has to recognise and adhere to. The company has to comply with all the relevant food laws and regulations in countries where they manufacture, export to, or sell products domestically. In addition, specialty products such as excipient lactose manufactured at the Kapuni plant require a higher level of validation of the manufacturing process (Fonterra, 2014). Just how important quality assurance is to the food industry, was illustrated by two calamitous events that transpired in 2008 and at the end of 2013 respectively. Fonterra held a 43% stake in Sanlu, one of the biggest dairy companies in China. In 2008 the raw milk used in the production of infant formula, was criminally contaminated with melamine. Fonterra was criticised for its slow reaction, and despite the recognition of Fonterra's integrity in the handling of the crisis (Yan, 2011) the company was still named in a top-10 world list of companies most criticised for their impact on the environment, health, and communities ("Melamine issue lands Fonterra on shame list," 2008). More recently the 'botulism scare' played out on an international stage, costing Fonterra millions of dollars and devastating damage to the company image. It is easily assumed that the bigger a catastrophic event, the bigger the driving force for that event should be. However, it is the elements of daily life that go on to cause a catastrophe, because apparently salient contextual stimuli sometimes have trivial effects, while apparently trivial contextual stimuli sometimes have marked effects (Lane, 2011; Ross & Nisbett, 1991; Tetlock, 1985). This theory is applicable to the 'botulism scare' which started out as regular maintenance procedures for the cleaning of piping at Fonterra's Hautapu plant that was not addressed appropriately.

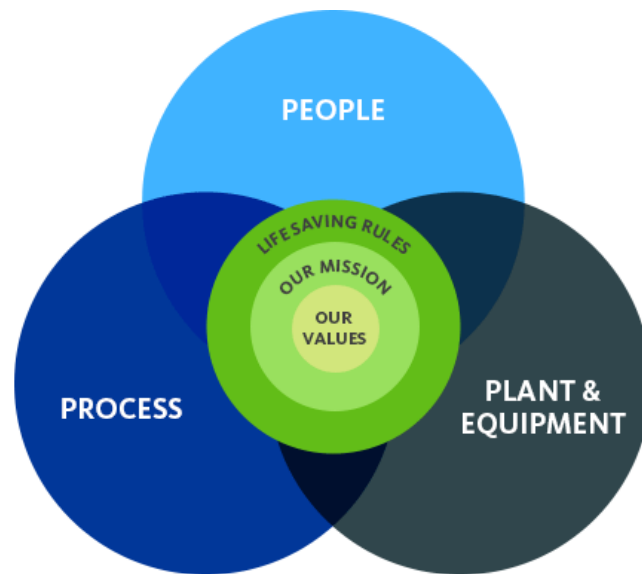
On Friday 2 August 2013, Fonterra released a statement advising a quality issue involving three batches of Whey Protein Concentrate (WPC80) produced at the Hautapu plant. Thirty-eight tonnes were produced at the time and the majority of this was sold to Fonterra customers. WPC80 is an ingredient in infant formula, growing-up milk powder, and sports drinks (Stringleman, 2013). The affected products were believed to contain a strain of *Clostridium botulinum* which could be fatal when consumed by humans. Eight customers were affected. Of these, three were food companies, two were beverage companies, and three were companies that manufactured animal stock feed. The beverage companies used further processing and heat treatment that would have killed the bacteria, while the stock food companies either recalled or were able to contain the affected products in store.

One company, Danone, a manufacturer of infant formula in New Zealand and China, immediately began a comprehensive recall of potentially affected baby formula. On 31 August 2013, a report was released by the Ministry for Primary Industries detailing the results of further testing in both New Zealand and the United States concerning the affected WPC80. The results were all negative for clostridium botulinum. The organism was confirmed as clostridium sporogenes, which does not pose a threat to human health ("Danone Asia Pacific Holdings Pte Ltd v Fonterra Co-Operative Group Limited," 2014). Nonetheless in the eyes of the public the product was tainted and Danone claimed that the botulism scare cost it NZ\$545m. A court case between the two companies is on-going.

Although salient features of the environment or significant single events (such as the Botulism scare) may punctuate context, Johns (2006, p.387) reminds us that *"many context effects are subtle in that their associated stimuli are not apparent to actors"*. In other words, it cannot be assumed that the botulism scare would necessarily be the factor that impacted most strongly on employee's discretionary abilities, even though this event was a momentous landmark on the Fonterra landscape. In addition, the absence of participant's direct exposure to an event may result in very little variance in their normal decision making activities, and positive organisational actions following the event could even lead to increased job satisfaction (Byron & Peterson, 2002).

4.4.2 Health and Safety

Fonterra values human life above all and strives to be world class in its health and safety performance. In its official documentation "World Class" is described as zero fatal incidents, a total injury frequency rate of less than 10, and audit scores of 80% or higher in group-wide health and safety audits. A risk management system 'First Priority' is in place to facilitate the report and management of risk in a consistent way across the globe and the 'Safe Home System' supports the achievements of safety goals through regular site-wide audits which are performed on the organisation's approximately 90 sites worldwide (Fonterra, 2014).



Our people are healthy, live with balance
and go home safely everyday, everywhere

Figure 4-1 Fonterra's key Health and safety elements (Fonterra operating framework)

The figure above depicts the three elements of the Fonterra Health and Safety system: People; processes; and plant and equipment. The aim is to ensure a healthy, safe environment through the proactive management of risk and exposure, and the procurement, design, management, and maintenance of safe workplace practices (Fonterra, 2014). It is the objective of the Fonterra management team to take the lead in workplace health and safety and to model appropriate safety values and behaviour to their employees (Thye, 2009). The list of seven management accountabilities in the Fonterra Operating Framework is for example headed by “*the health, safety, and well-being of employees across the group*” (Fonterra Operating Framework, p. 12). Despite a stringent focus on Health and Safety, Fonterra still deals with the serious consequences of workplace accidents and incidents. The company faces an on-going struggle to reduce accidents that involve milk tankers on the New Zealand roads. The Fonterra milk tanker fleet travels about 81 million kilometres per year, and more than 30 collisions occur between tankers and motorists on an annual basis (TVNZ, 2010). In 2010 around \$2 million was spent on an initiative to reduce the danger of milk tankers to other road users.

Three fatal accidents on New Zealand and Australian sites followed shortly after a serious head injury was sustained by a truck driver on the Whareroa site in 2008. In

January of 2009 employee Theo Blake died on the Whareroa site in New Zealand after being crushed by hydraulic packaging and Fonterra subsequently admitted to a charge of failing to take all practicable steps to ensure the safety of employees. The company was fined \$73 000 in addition to the \$116 000 reparation it had to pay to the family ("Man's death at Fonterra plant investigated," 19 January 2009). In August a fatality occurred at the NZ Southland Fonterra plant when a contract worker was crushed in an elevator shaft ("An inquest into the death of David Shaw," 2011). A month later Fonterra Australia was convicted and fined \$300 000 after a forklift driver died at its Stanhope cheese factory (IUF, 29 January 2012).

The founding of Fonterra in 2001 initiated the process of establishing a single corporate culture. A strong corporate culture is essential since it is positively related to financial performance and reputation (Flatt & Kowalczyk, 2008) and also provides a context for the actions of individual organisational members (Johns, 2001). The normalisation of human resource management processes and practices is a necessary step to bring the management of employees in full alignment with organisational business strategy, and this was part of Fonterra's corporatisation process. Successful corporations treat their human systems factors as equally important to economic and technical factors (Angle, Manz, & van de Ven, 1985), but in practice the standardisation of human resource practices may lead to frustration if employees do not understand the rationale behind the changes that are taking place around them. Fonterra employees have been confronted with changes to their annual staff review process; recruitment and selection practices; and staff training and development programmes (J. Neal, personal communication, 23 September, 2014). The next sections provide an overview of Fonterra's current employee management practices:

Annual team performance review: 'Performance plus' is the company's quarterly review process for salaried staff, a system that managers and employees can access and update on-line. It consists of two sections, one covering the 'what' or the achievement of agreed objectives; and the other covering the 'how' or the way in which the company values have been used by employees to achieve their objectives. Performance-plus is due to be replaced with an improved system called 'Rem-plus' with largely the same content. According to their collective agreement, waged

employees can opt out of the annual review process, and subsequently no annual review process is in place for them (J. Neal, personal communication, 23 September, 2014).

Key performance indicators (KPI'S) for individual staff members are aligned with organisational objectives set by the senior leadership team. Site managers receive quality, health and safety, and engagement objectives with targets that are mostly non-negotiable. These objectives are then passed on to team members below, and are also reflected in the objectives of support staff involved on site. An annual bonus for salaried staff is linked to the achievement of KPI's. The percentage increase of the annual bonus is however linked to the milk price; which individual employees do not have control over. Bonus pay is earned only when objectives have been met in ways consistent with the Fonterra values (J. Neal, personal communication, 23 September, 2014).

In the past, various initiatives to improve and reward performance had been tried and rejected. One example is the *Elkiem model* that was implemented to help create a high performance environment. Through the use of this model, the aim was to create dissatisfaction in employees – not with the company, their work, or management; but with their own performance, their team's performance, and the company's general performance (CEO to CEO, 2012). However, the implementation of the *Elkiem model* in Fonterra created unhealthy competition and an overall ill-feeling amongst team members and the model is therefore no longer formally in use (J. Neal, personal communication, 23 September, 2014).

To assist in reward decisions, 'calibrations' were previously carried out to spread employees evenly on a bell curve according to their performance. This was mainly done to keep financial rewards within budget prescriptions. Meetings were held with managers to increase consistency with the ratings assigned to employees from various departments. This was done by evaluating the achievement of objectives as well as employee's performance based on the company values. If an employee for instance achieved objectives, but could not maintain positive working relationships, the employee's rating would be adjusted to reflect the failure to achieve objectives in line with company values. The bell-curve approach is not strictly applied

anymore, but managers still participate in discussions with HR to determine a fair rating in comparison with other employees, based both on the achievement of objectives and on performance according to company values.

Recruitment and selection: In an attempt to bring consistency across the organisation the recruitment and selection process has been formalised over the past six to seven years. Instead of the previous ad-hoc approach at different sites and the informal recruitment of employees by means of the local grapevine, a contractor *Future Step* has been employed to manage all staff recruitment. *Future Step* introduced the numerical and verbal testing of all candidates from shop-floor level up, since all employees are required to be able to read and interpret health and safety and quality prescriptions. In addition to numerical and verbal tests, white collar candidates are also subjected to psychometric testing. This formal approach has first been introduced at Whareroa, with Kapuni and Eltham coming on board over the last two years (J. Neal, personal communication, 23 September, 2014).

Training and Development: In another attempt to standardise initiatives across the organisation, a national employee development programme called *HeTangata* (It's all about you) is currently being rolled out in Fonterra New Zealand (J. Neal, personal communication, 23 September, 2014). In the past programmes were initiated in certain regions or on specific sites, but when employees transferred outside the region, there was not an organised way in which they could receive recognition for the training that they have done before. One example is *Fast Track* which is a regional leadership programme for supervisors in the Taranaki, but now being phased out in favour of *HeTangata* (J. Neal, personal communication, 23 September, 2014). Components covered by this national programme are leadership, building pride, and pride of place. It focuses on judgement, quality, and the customer. On the level of organisational leadership, the coaching module (part of the leadership component) has already been rolled out, and currently the pride of place component is being introduced. The supervisory level will also receive training in coaching, and there is provision for a three-day workshop which provides personal development for all employees (J. Neal, personal communication, 23 September, 2014). . Some ad hoc tools are however being made available for the development of certain individuals and teams on request. The Herman Brain

Profile (HBDI) which is employed to develop employee engagement is one example, and in a similar way 360-degree feedback is carried out when needed or requested by particular teams (J. Neal, personal communication, 23 September, 2014). Gallup surveys have been carried out in the Taranaki region for the past five years in order to measure employee engagement. Parts of *HeTangata* are for example designed to help improve employee engagement in areas that were identified as lagging through the Gallup surveys (J. Neal, personal communication, 23 September, 2014).

4.4.3 Organisational change

Fonterra is a young organisation that is still experiencing the aftershocks of the major 2001 merger. As the organisation develops its strategy, the management structure is adjusted to drive the achievement of strategic objectives. The metaphor of a house is used to explain strategic priorities, as illustrated in the picture below:

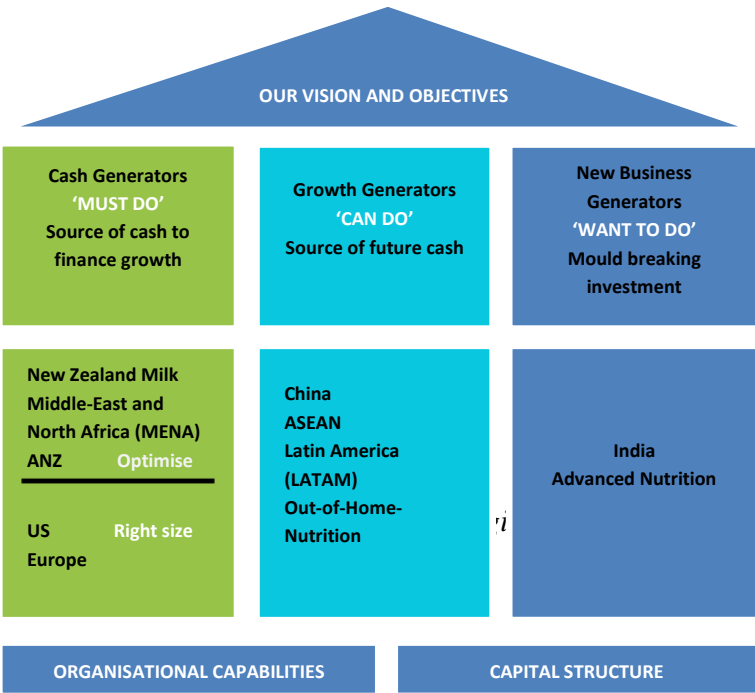


Figure 4-2 Fonterra's strategic priorities (Fonterra operating framework)

From a strategic perspective, the Fonterra sites included in this study are positioned as 'cash generators' and form part of the short term goals of the organisation and its engine for current financial performance. The focus is on being profitable and

generating cash for the Co-operative. The organisational structure is aligned to deliver on the best opportunities for growth, summed up in three words:

Volume: Grow milk product volumes to protect the organisation's place in a growing market

Value: Drive more value from milk by providing dairy nutrition for the young, the ageing, and foodservice

Velocity: Execute the strategy at speed (Fonterra Operating Framework).

Fonterra employees had, and are still experiencing regular management changes as positions within the organisation are aligned to achieve the strategic objectives and to address the overlapping of responsibilities that came with the many mergers that lead up to the formation of Fonterra in 2001 (J. Neal, personal communication, 23 September, 2014).

4.5 Organisational principles and values

Environments such as the food industry that are highly regulated, are thought of as 'strong situations' where widely accepted rules of conduct constrain behaviour. Weak situations on the other hand provide little prescription and allow more room for discretion in decision making (Carpenter & Golden, 1997). It is therefore necessary that we think differently about interactions between individuals and their surroundings depending on whether the situation is strong or weak (Hambrick & Finkelstein, 1987; Weick, 1996): Strong situations support common interpretations of an issue, while weaker situations allow various interpretations. Conversely, when situations are ambiguous, unique, unpredictable, changing, and loosely regulated the exercise of discretion will be welcomed (Hambrick & Finkelstein, 1987).

Given the highly regulated external environment that Fonterra operates in, it makes sense that employee behaviour, and by implication the exercise of individual discretion, will to a great extent be prescribed and restricted by company policies and procedures. In their *Operating Framework* Fonterra makes clear statements about the ways in which employees are expected to contribute to the achievement of business goals and objectives. The double edged sword of rules vs. principles is very noticeable on the first page of this document. The claim is made very early on that the *Framework* describes both the 'what' and the 'how' of the company's

expectations. The ‘what’ is the accountabilities and rules under which they operate, supported by the ‘how’, or the principles and behaviour linked to the company values (Fonterra Operating Framework).

4.5.1 The Values

The organisational values that Fonterra subscribes to has been cut back to four basic guidelines that direct the way employees are expected to conduct themselves, interact with others and communicate key organisational messages both inside and outside the organisation. The values are visibly displayed throughout the organisation: Co-operative spirit; Do what’s right; Challenge boundaries; and Make it happen. Each value is colour-coded and the plain language that has been used in its formulation makes it easy to remember and to repeat.

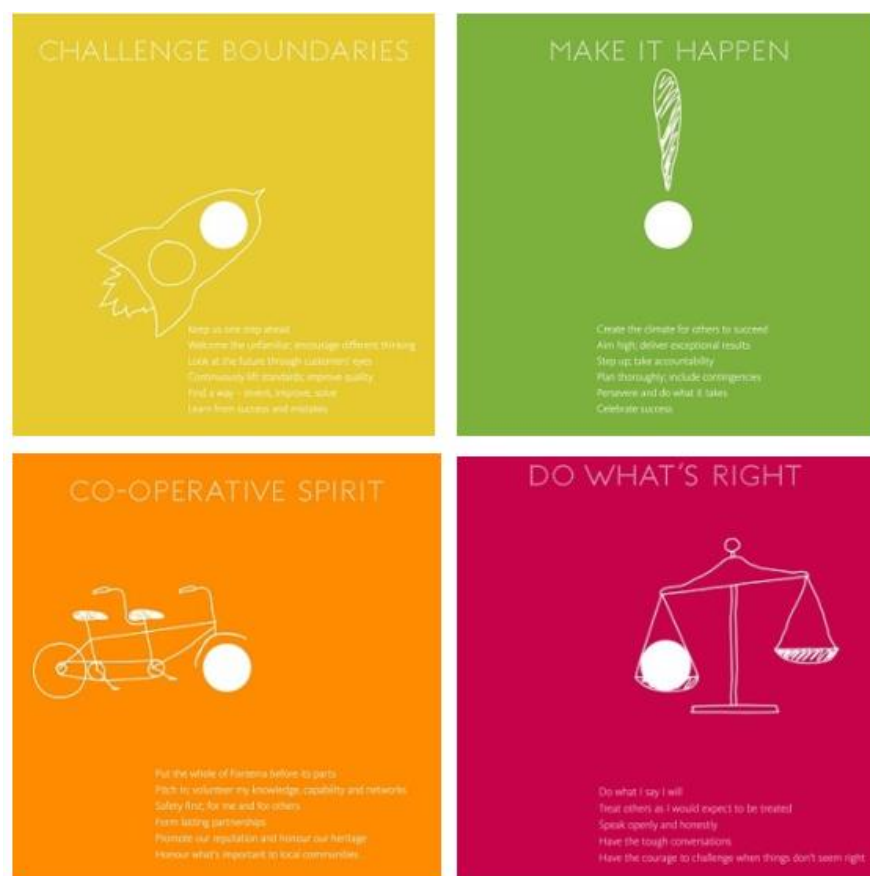


Figure 4-3 The Fonterra values (Fonterra operating framework)

Each value is supported by a sub-set of key ideas that explain its meaning:

Co-operative spirit

- Put the whole of Fonterra before its parts
- Pitch in, volunteer my knowledge, capability and networks
- Safety first; for me and for others
- Form lasting partnerships
- Promote our reputation and honour our heritage
- Honour what's important to local communities

Do what is right

- Do what I say I will
- Speak openly and honestly
- Treat others as I would expect to be treated
- Have the tough conversations
- Have the courage to challenge when things don't seem right

Test the boundaries

- Keep us one step ahead
- Welcome the unfamiliar; encourage different thinking
- Look at the future through customers' eyes
- Continuously lift standards; improve quality
- Find a way – invent, improve, solve
- Learn from successes and mistakes

Make it happen

- Create the climate for others to succeed
- Aim high; deliver exceptional results
- Step up; take accountability
- Plan thoroughly; include contingencies
- Persevere and do what it takes
- Celebrate success

Although the values are based on 200 years of history and heritage, it is regularly reviewed, and the current expression of it as illustrated and discussed above has been introduced about 7 years ago.

4.5.2 Core principles

The Operating Framework is based on five core principles that further illustrate the balance between rules and principles in the organisation:

- One Fonterra, global view
- Maximise value from collaboration
- Clarity of targets and decision rights
- Fast and devolved decision making
- Fonterra management team jointly accountable for Group performance.

The first principle emphasises the view of Fonterra as a single entity who makes decisions with the best interest of the group at heart, but always in line with Fonterra values. Fundamental to business success is compliance with agreed policies and processes. The second principle harks back to the value that is placed on a co-operative spirit. Fonterra is described as a collaborative matrixed network and collaboration across organisational boundaries is strongly encouraged. Both principles three and four focus on decision making. Importantly, principle three states that decisions are made at all levels of the organisation, and as close as possible to the best expertise. Those who make decisions are expected to carry the consequences of their decisions and are kept accountable for it. Principle four states that decentralisation of operational decision making is necessary to achieve the organisation's aim for velocity. Centralised decision making is encouraged when value can be added through a global view of the business (e.g. global strategy); or through efficiency, compliance, or best practice (e.g. global business processes, shared services). Employees are expected to make decisions within their authority, and it is accepted that decisions will sometimes have to be made without perfect information. Lastly, principle five declares that the Fonterra Management team model collaboration and trust and is open to challenge (Fonterra Operating Framework).

These principles make strong claims about the organisational expectations in terms of employee decision making. Compliance to applicable rules and regulation is first and foremost expected, but employees on all levels of the organisation are expected to make operational decisions to the best of their ability and with the information available at the time, even if it is not complete. Decision makers will be held

accountable and are expected to carry the consequences of their decisions, but collaboration between employees across all organisational borders is encouraged, indicating that employees do not need to make decisions in isolation.

The preceding section gave an overview of Fonterra's current strategy with emphasis on three areas that impact employee's discretionary decision making. Although regulation restrict individual choice in terms of quality, health and safety, and human resource practices, the organisational values and core principles underscore the importance of decentralised decision making, especially in terms of operational decisions. While employee decision making is encouraged, it is at the same time expected that these decisions will be made in alignment with set organisational values. In the next section the three research sites that have been included in the research study are introduced. Some relevant historical background of each is provided, together with the geographical location and operational purposes of each of these sites.

4.6 The three research sites: History, geographical location and operational purposes

The research was conducted by interviewing Fonterra employees working in the shadow of Mount Taranaki on the west coast of the South Island of New Zealand. The south Taranaki, where the three research sites are located, is home to 26 500 residents with one of the highest median incomes in New Zealand, living in and around Hawera, Eltham, Opunake, Waverley, Manaia, and Kaponga. Hawera (Maori word meaning 'Breath of fire') is the largest of these towns housing the southern hemisphere's biggest single-site dairy factory: Whareroa Fonterra, which is the first of the three sites included in the research. Twenty kilometres north of Whareroa is Eltham, where Chinese businessman Chew Chong built the first dairy factory and from where the first butter was exported to England (South Taranaki, 2010). Fonterra's Collingwood Street site in Eltham is the largest consumer foodservice cheese manufacturing plant in Australasia (Fonterra, 2014), and the second research site. The small town of Kaponga located on the main road

connecting Eltham to Opunake, is home to New Zealand's only pharmaceutical lactose production plant, the third research site.

Taranaki is one of the North Island regions where the real expansion of the dairy industry took place (Te Ara, 2014). Dairy cooperatives were a way for small farmers to pool their capital to develop dairy processing factories, and the first cooperative in the Taranaki was the Moa plant, which opened in 1885 (Te Ara, 2014). The many small dairy co-operatives dotted along the country side is evidence of the early history of the dairy industry, when farmers could only afford the time away from their farms for a three-mile drive to deliver their milk. However, these co-operatives were able to merge for the benefit of cost saving, once milk tankers were introduced to the dairy industry, and milk could be transported over longer distances. Through a series of mergers in the Taranaki, Kiwi Co-operative Dairies Limited was formed in July 1963 (Richards & Richards, 1995). Five areas represented the numerous dairy co-operatives situated in the Taranaki: Far North Area; Moa-Nui Area; Waimate Area; Coastal Area; and the Far South Area. The diagram below illustrates the mergers by which Kiwi Co-Operative Dairies were established in 1963, and from there the final mergers that lead to the formation of Fonterra in 2001.

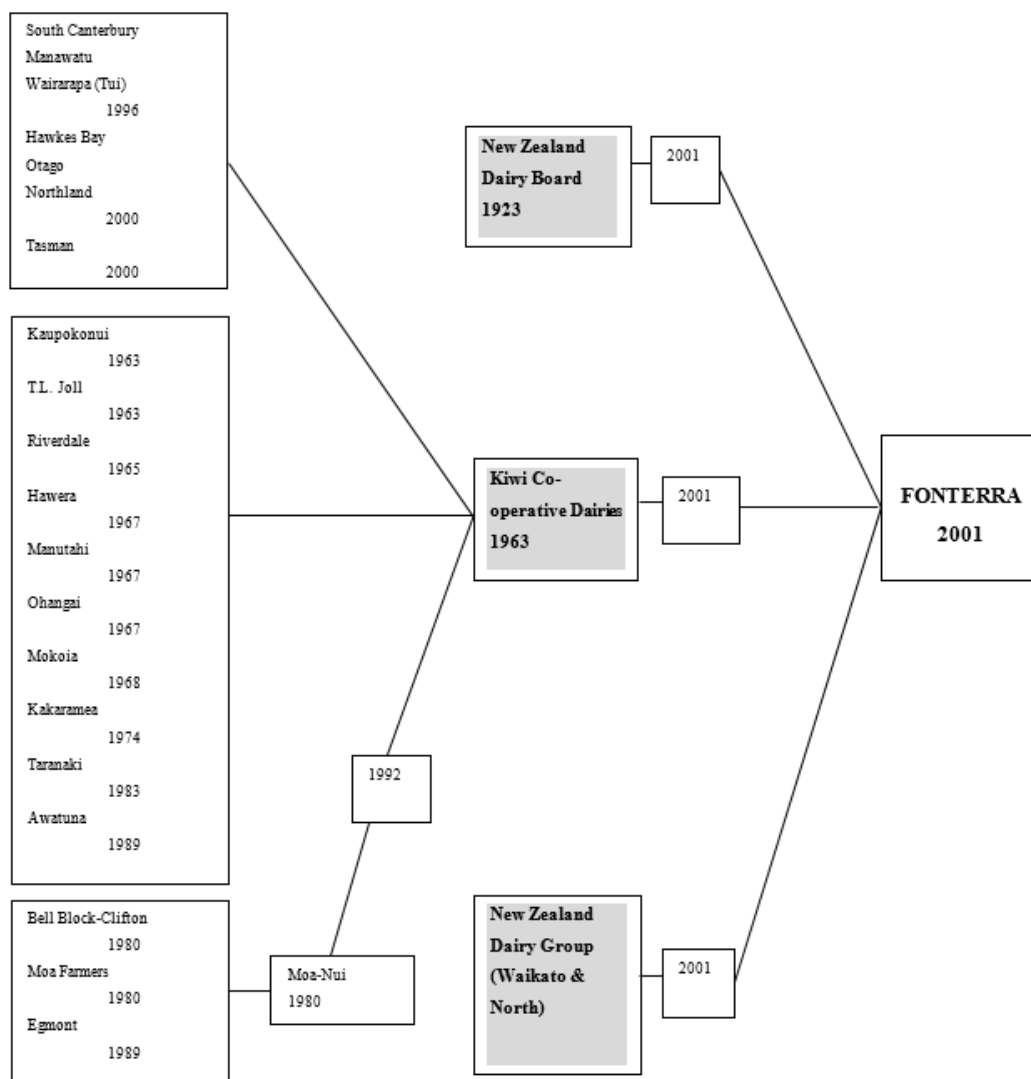


Figure 4-4 The merging of Kiwi co-operative dairies and establishment of Fonterra in 2001 (Whareroa site visit)

4.6.1 Whareroa

Until the early seventies, the Kiwi Company consisted of a collection of companies operating from a number of manufacturing units. In 1968 the company purchased an area of land close to Hawera to build a dairy complex on and to realise the full benefits of amalgamation (Richards & Richards, 1995). In 1971 the decision to centralise the company's manufacturing units at Whareroa was announced; stage one would be the erection of a mechanical cheese unit and stage two a butter and by-product factory. The erection of a laboratory on the site started in 1973, and in April 1975 the Kiwi complex, ranking among the world's largest and most modern

installations of its kind, was opened by the Prime Minister (Richards & Richards, 1995). The centralisation of dairy production on the Whareroa plant did not result in notable employee dissatisfaction; it was only with the amalgamation between Kiwi and the Taranaki dairy company in 1981 that Taranaki Dairy company workers went on strike, and two days of milk was dumped over the issue of staff relocation (Richards & Richards, 1995).



Figure 4-5 Whareroa research site

Currently the massive \$750 million plant employs 756 people (J. Neal, personal communication, 29 October 2014). The site houses ten different plants: five milk, two cheese, one cream, and one casein plant. On the Whareroa site, milk is converted into instant whole, skim and butter milk powders. Butter, Cheddar, Colby, Egmont, and Mozzarella are also manufactured here (IUF Dairy Division, 2014). The illustration below depicts the progressive expansion of the site from 1972 to what it looks like today:

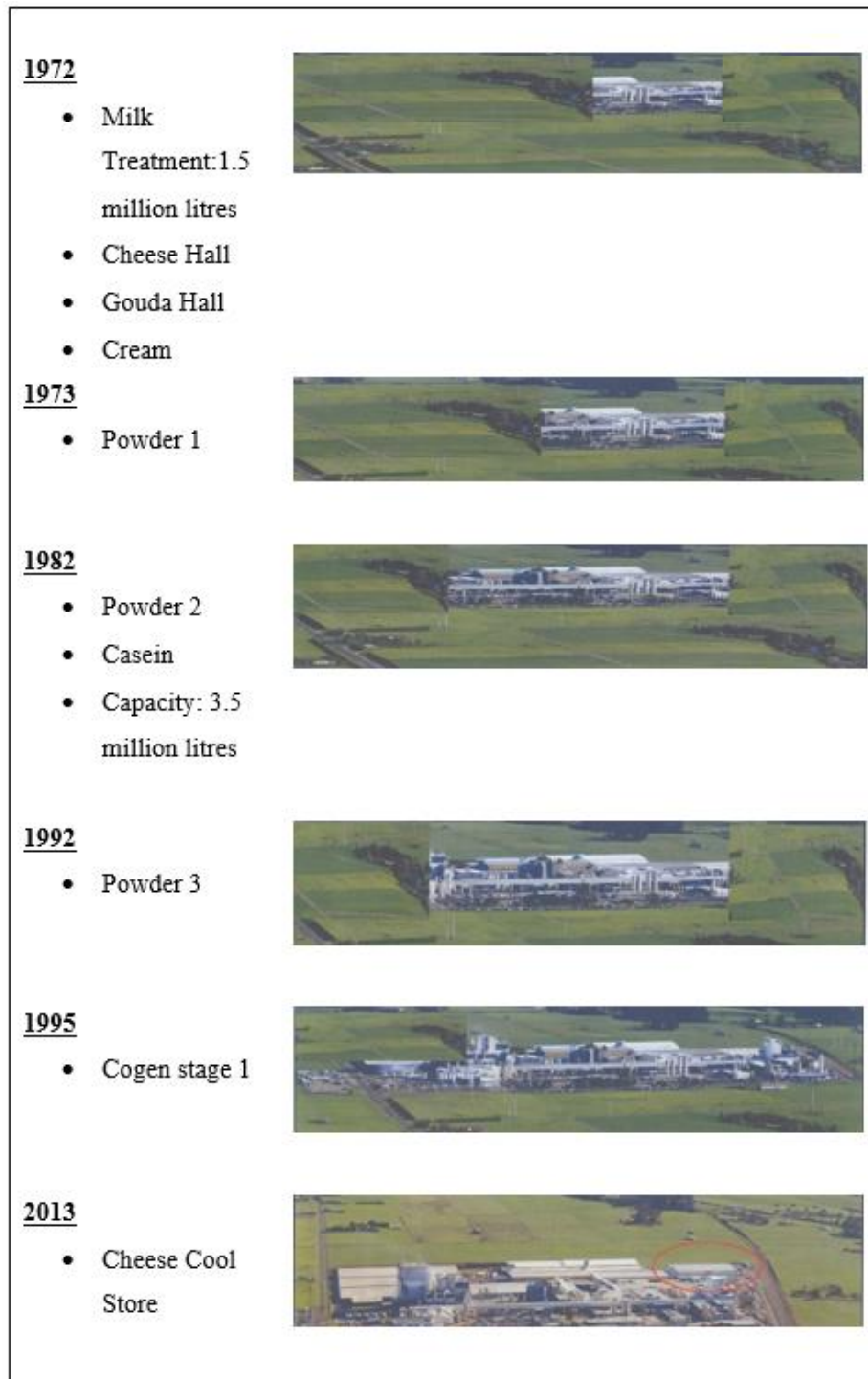


Figure 4-6 Whareroa site expansions (Whareroa site visit presentation)

The Regional Operations Manager for the Lower North Island (LNI) is situated at Whareroa. The organisational chart below illustrates the reporting structure for the region, and the operations managers that participated in the research are indicated by the grey blocks.

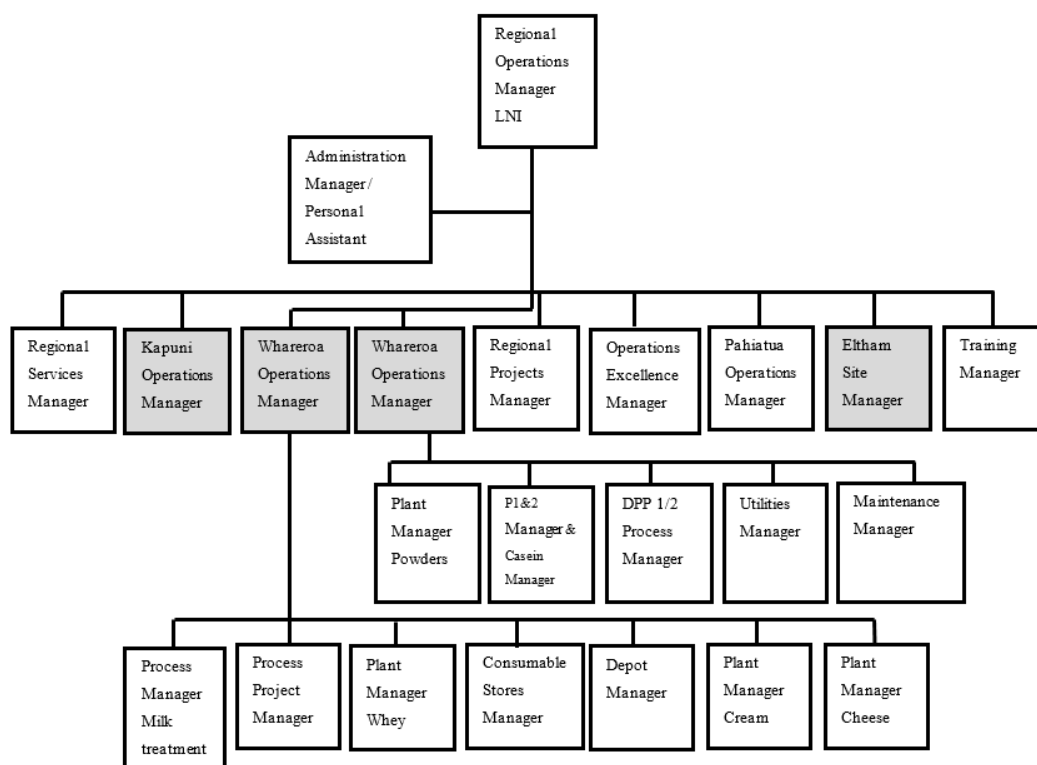


Figure 4-7 Lower North Island reporting structure (Fonterra operating framework)

The five milk powder plants produce about 20 tonnes of milk powder per hour for export. Annually the factory produces 200 000 tonnes of whole milk and skim milk powder; 95 000 tonnes of cheese products; 88 000 tonnes cream products; 35 000 tonnes protein products and 10 000 tonnes lactic casein. Its gas-fired co-generation plant supplies all of its electricity. Whareroa produces the largest volume of dairy ingredients from a single factory anywhere in the world (Fonterra, 2014). Considering the immense output from this factory, the low staff numbers allocated to the various plants on site is evidence of the impact of automation on staff requirements:

Table 4-1 Whareroa staff numbers per plant

Powders 3,4,5	45
Dry Packing	67
Maintenance	52
Powders 1, 2 & Casein	46
Stores	22
Milk treatment	23

Cream Plant	98
Cheese plant	118
Whey Plant	61
Depot	190

4.6.2 Eltham

It is from Eltham, known as the cradle of the Taranaki dairy industry, that the first butter was exported to England. Chew Chong, a Chinese entrepreneur, opened the “Jubilee Dairy factory” here in 1887 and registered the word “Jubilee” as the brand name (Roth, n.d.). The factory equipment was of high quality and it was the first to have a cooling system for the storage of cream (Winder, n.d.). By 1891 the Taranaki’s butter export was greater than the rest of New Zealand put together (Richards and Richards, 1995). A cooperative dairy factory opened in Eltham in June 1892, and provided strong competition for the Jubilee factory, which eventually was closed down in 1901 (Roth, n.d.). Other early commercial dairying techniques were also developed in Eltham such as the production of commercially viable rennet (used in the cheese making process) in 1916, and blue vein cheese in 1951 (Winder, n.d.).



Figure 4-8 Entrance to Eltham and the Fonterra Collingwood research site

The Collingwood site in Eltham was established in 1985 and was managed by Pastoral Foods until 2001 when it became a division of Canpac. The management of the site shifted to Mainland in 2002 before it was acquired by Fonterra in 2005 (M. Dey, personal communication, 21 March 2014). The site is New Zealand's largest consumer and foodservice cheese manufacturing plant in Australasia. It produces 70 000 tonnes of processed, natural, block, natural shred, and Individually Quick Frozen cheeses on an annual basis for consumers around the world, including fast food chains Pizza Hut, Dominos and McDonalds. Specialty cheeses such as blue vein, camembert and brie are also produced here for local and international markets (IUF Dairy Division, 2014). The factory currently employs 427 people, and products are exported to 50 different countries. The plant is a leader in sustainability and won the Fonterra Eco-Efficiency Award in 2007, 2008, and 2010 (Fonterra, 2014).

4.6.3 Kapuni

Fonterra is partner to more than 50 joint venture sites around the world. These include DFE Pharma, Dairi Concepts, Soprole, Prolesur, and DPA (Presentation: Introduction to Fonterra Kapuni). One of these joint ventures is between Fonterra and DMV which forms part of the European dairy company Royal Friesland Campina (Williams, 2009). In 2011 the venture introduced a new corporate brand "DFE Pharma" to combine the former names DOMO-pharma and DMV-Fonterra Excipients into one new name. It remains one of the largest providers of dairy-based excipients to the pharmaceutical market. The joint venture provides pharmaceutical grade lactose, which is used as the carrier for active drug formulations in tablets and inhalers from their production facilities in the Netherlands, Germany, and New Zealand (dfepharma, 2011).



Figure 4-9 Entrance to Kapuni and Fonterra Kapuni research site

The New Zealand lactose plant was built in Kapuni in 1988 and today it is the only New Zealand plant capable of pharmaceutical lactose production. Lactose production forms a small part of NZ dairy manufacturing, as illustrated in figure 4.10. However, it is a challenging, highly specialised area. The New Zealand Lactose Company is the only company in the southern hemisphere that has survived the capital and technical difficulties to produce high quality lactose. This success is mainly ascribed to the tenacity and commitment of directors and managers over the years (Dryden, 1992).

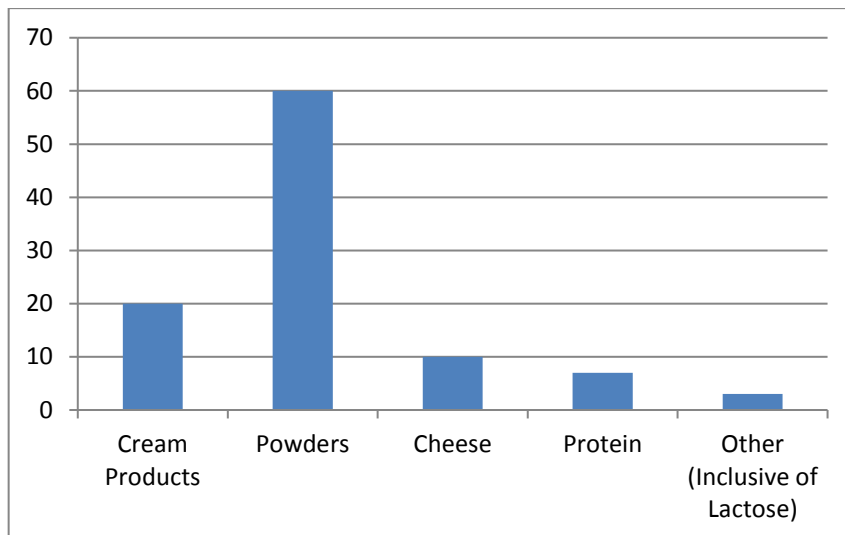


Figure 4-10 NZ manufacturing product mix (Fonterra, 2014)

The Kapuni site has three plants: a standalone pharmaceutical milled and sifted lactose plant; a speciality plant producing pharmaceutical grade lactose for direct compression; and the IGL plant, which is a state of the art pharmaceutical grade facility commissioned in 2005, and specifically designed to produce inhalation grade lactose. This plant is owned and operated by DFE Pharma. Kapuni produces refined-grade lactose for Fonterra’s Ingredients businesses well as pharmaceutical grade lactose for DMV-Fonterra Excipients. The milled, sieved, and spray-dried lactose supplied to DFE Pharma (Presentation: Introduction to Fonterra Kapuni) is then further processed into inhalation grade lactose for use in asthma inhalers (IUF Dairy Division, 2014).

4.7 Conclusion

The notions of regulation and principles are at the core of individual discretionary decision making are important to this research study. The environment within which Fonterra employees operate is highly regulated, due to the product type as well as the international market where products are exported to. Fonterra supplies products for human consumption, and specialises in products that are consumed by vulnerable populations such as infants, the elderly, and the ailing. For this reason, Fonterra are held to strict rules and regulations for food production and sale both

nationally and abroad. Besides the external regulations imposed on the operational functions of employees, internal regulations guide their behaviour for the purpose of establishing a corporate culture and to standardise management practices across this relatively young organisation. However, an overview of the history of the New Zealand dairy industry and Fonterra over the 13 years of its existence reveals that regulation has often encouraged innovative problem solving and growth in the organisation. For example, New Zealand's exclusion from the European market through the EEC could have had devastating results for the New Zealand dairy industry, but instead it led to the development of export markets across the globe. When the commerce commission declined the final proposed merger to form Fonterra, the industry convinced the Government to introduce the Dairy Industry Restructuring Bill of 2001 to allow the merger to go ahead. Bold steps such as these are mainly ascribed to the tenacity, confidence, and courage of directors and managers. A belief that anything is possible, integrity, risk taking, the challenging of the status quo, learning from mistakes, and process being subject to principles, are some of the values that these leaders have modelled to dairy industry employees over the years. However, these values have been, and continue to be tested on an international platform. *Powdergate* threatened the integrity of the newly formed Fonterra, and subsequent disasters such as the Melamine contamination of infant food in China, and the more recent Botulism scare place the organisation under constant stress to prove that it can be trusted to deliver products that are safe and of an exceptional quality. Fonterra is continually evolving to improve its products and processes and to establish a united corporate culture in an organisation that emerged from a continuous process of mergers over a prolonged period of time. For this reason, employees are subject to regular changes in management practices pertaining to areas such as quality, health and safety, and human resource management. Employees are required to perform their duties in accordance to industry regulations, and to do so in line with established organisational values. The three sites included in the research fall into the strategic objective of *Must do* or *cash generators*, as opposed to *can do* (growth generators), and *want to do* (new business generators). *Must do* employees work to grow milk product volumes at speed in order to generate the necessary cash to achieve growth and new business.

Chapter 5: Discretion by levels

5.1 Introduction

The overall research question that guides this study asks: “*How do employees use discretion in the workplace?*” Three sub-questions support this question, and the aim of chapter 5 is to present findings that help answer the first of these: “*How do employees use discretion on different organisational levels?*” The significance of chapter five is the presentation of employee impressions of discretion on all levels of the organisation, including those on the lowest echelons. In chapter four, it was pointed out that the Fonterra Operating Framework indeed stated that employees on all organisational levels are expected to make decisions. This chapter provides detail about the ways in which employees used their discretion in making those decisions. An analysis of employees’ ideas of workplace discretion is next presented along the task-relationship dimension of Caza’s (2012) circumplex of discretion. *Task discretion* concerns choices about the details of how tasks are executed, while *relational discretion* is about the choices that people adopt to approach others in the work environment (see appendix 1).

More specific to this research study, the data is also examined in terms of extrinsic and intrinsic discretion. *Extrinsic discretion* refers to externally determined levels of freedom assigned to individual organisational members; while *intrinsic discretion* refers to the personal desire and ability of individuals to make values based judgments in the execution of tasks regardless of external determinants.

In this chapter the experiences of employees on different organisational levels: tactical management; operational management; and staff level are presented and summarised in three different sections, followed by a comparative analysis and some concluding remarks.

5.2 Tactical Management level (senior management level)

For the purpose of this study, a distinction was made between *tactical people* managers and *tactical support* managers. Tactical people managers were senior managers who had the responsibility of managing groups of employees, while tactical support managers were those managers who did not manage teams and acted in a supportive role of staff and other managers (e.g. health and safety managers, human resource managers, commercial managers and engineers). An important difference between these roles was the high demand that was placed on the interpersonal skills of those who were responsible for the management of others.

The data revealed that *Tactical people* managers found the most challenging discretionary decisions they had to make were not necessarily task decisions, but decisions involving the management of employees. In addition, the data showed that *tactical support* managers found it harder to think of examples of when they used their discretion in comparison with *tactical people managers*. However, less of the support managers' decisions involved people decisions. In their decision making, high demands were placed on compliance monitoring. Compliance require a narrow execution of tasks in accordance with regulation (thus requiring less personal discretion). People managers on the other hand, dealt with human behaviour, which is less easy to regulate, and require more frequent use of discretion in decision making. In the next two sections, tactical managers' insights about workplace discretion are presented.

5.2.1 Tactical People Management level (TPMG)

5.2.1.1 Task discretion

The tactical people managers who participated in the research study were responsible for the management of teams of employees in different business units across the three dairy production sites. Certain levels of task discretion were assigned to them by virtue of the positions that they held, but the level of leeway also depended on how well the site was performing “*If the site is performing well, I am left really to my own to make decisions, which I quite like*” (K1); and the cost

involved: *“discretion gets incrementally less as you need more money or resource”* (E1).

Participants K6; E3; E4; E5; W3; W4 reported that they regularly weighed up options within the following areas:

- Health and safety, quality and compliance
- Production, planning and scheduling
- Clock in times, break times, over time and leave
- Programme development
- Communication, meetings
- Staff discipline

Their responsible use of discretion within prescribed parameters was a normal expectation as stated by E3:

“there is a lot to a manager’s role, it is really huge. You are weighing up production, quality, attainment, health and safety, the disciplinary side of things...”

However, their task decisions were unnecessarily complicated by ongoing restructuring initiatives, which often left them without the support they needed. E3 complained about a lack of human resource support, and health and safety support when making decisions. Decision making pertaining to these areas was supported by extensive organisational policies, which they were expected to follow without the help of experts in these areas:

“...because of the restructuring the support staff around you [human resources and health and safety] is poor, so you are left to your own devices a lot. So it does require good confident decision makers” (E3)

Although the responsible use of discretion in task decisions is a crucial part of the role of people managers, E1 noted that these decisions (which could be expressed in financial terms) were relatively easy to make. E1 suggested that non-monetary decisions were more complicated, specifically those that involved the health and safety of employees. However, E1 found that the Fonterra values were vital in guiding decision making in these areas.

Tactical people managers reported that decisions involving work relationships were challenging. Discretion about the way in which they interacted with subordinates had a direct impact on employee participation and productivity. These types of decisions are referred to as *relational* discretion (as opposed to task discretion) and are discussed next.

5.2.1.2 Relational discretion

Tactical people managers emphasised the importance of discernment when managing people. K6 and E16 both explained that without this, it would be difficult to attain business objectives:

“One of my strongest values is to make sure that the people are alright, because I am a firm believer that if you look after the people, all those figures and targets and everything that you are aiming for, will actually happen” (K6)

“A lot of what I do is decisions around how I deal with people, how to extract the best out of the people. Every situation is different and you have to weigh up a whole lot of variables at the time, as to your approach to the situation” (E16)

One of the challenges that people managers faced was the management of the diverse needs of their employees, which placed a high demand on their ability to use their discretion in wise ways, as W3 stated:

Determining priorities is a decision I make every minute of every day. I get torn between satisfying different priorities all the time, and making the decisions which the company, the joint venture, or some other individual alongside whom I work need”

It was for example difficult to give recognition to deserving employees without upsetting others team members. E3 explained how difficult it was to recognise the effort of an employee who had not taken sick leave in 400 days. Although others who took sick leave should not be disadvantaged, E3 still wanted to reward this individual:

“So that is effectively punishing somebody that might have genuinely gotten sick the year before ... is that the right thing to do? I don’t know, but the people with a work ethic of turning up even though they

theoretically are throwing their sick days away, is just gold, and they should be awarded for that” (E3)

At other times, managers needed to judge whether the needs of employees should be placed above the task at hand. E16 regularly spent time to show an interest in employees’ personal lives before progressing into a discussion about work:

“We talked about 15 minutes about his family and what they did in the weekend, and then we got on to what I had in front of me, but it is all about that empathy and trying to get everyone on the same page, but you also have to respect them as an individual I think” (E16)

E17 similarly related the importance of meeting the needs of employees. In one case time was spent to help an employee reach a decision to resign. E17 spent much more time to help the employee than what the organisation required:

“We had a really good conversation, to nut it out to make sure that in her own mind she was very sure that this is what she wants to do, and it was not based on an emotion or a moment in time where she just had enough. So we sat down and looked at all the issues, which was great. I wanted to make sure that it wasn’t done in the heat of the moment”

E3 also emphasised the importance of discretion in managing a diverse group of people. E3 referenced an example of where an unpopular decision had to be made to split a married couple who used to work in the same shift, into two different shifts. This was necessary due to them regularly taking leave together, resulting in a manpower shortage. E3 explained how different approaches were necessary in managing people, but also that the reaction of people to decisions would vary greatly. Discretionary decision making therefore required a high level of confidence to follow through with it.

“I know that I’ve done the right thing for the overall feeling of the team. The direct impact is that no one is happy: the team leader did not want to lose one person and the couple did not want to be split up; but I have to comfortably say I have done the right thing by splitting them, even though no one is happy. It was pretty tough because like I say, I am a people person and I don’t like upsetting people” (E3)

Besides the use of discretion in the management of employees, tactical people managers also used discretion in their relationships with superiors. For example, they tended to move outside of their ascribed discretionary boundaries if, in doing so, the next management level would be spared unnecessary effort to deal with an issue that could have been resolved without their input. W3 explained:

“We had a recent problem with a legionnaires detect. So we made the decision: do I declare that to my boss and make a big noise about it, or in fact do we keep it quiet and just deal with it in our own little patch? So you get that sort of decision on a regular basis as to what you escalate and what you don’t”

The tendency of employees to act as a “buffer” for the next management level was also detected on other levels of the organisation and demonstrated a willingness to make decisions outside of the assigned leeway ascribed to a position, for the benefit of fellow employees.

One of the areas that provided much frustration in terms of the use of discretion was staffing. In the past tactical managers enjoyed considerable leeway in recruiting employees for operational staff positions. However, this has changed with the introduction of a new recruitment policy. Literacy and numeracy requirements for operational staff were introduced, which meant that trusted candidates with extended experience in the dairy production environment could no longer be considered for vacant positions “...leaving us to struggle for the next year trying to recruit people when I have experienced people sitting out there with no jobs” (E9).

As mentioned in the introduction, the data showed that the challenging decisions faced by TPMG’s were relational decisions. They regularly had to consider how their discretion in one decision situation would impact on other employees who expected to be treated fairly. On the other hand, they moved outside of their assigned decision leeway when they felt confident to make decisions that would alleviate unnecessary pressure on their superiors. Next the data on discretionary decisions on tactical support management level is presented.

5.2.2 Tactical Support Management level (TSMG)

The following support managers participated in the research: health and safety manager, site SOP writer, reliability engineer, validation engineer, commercial manager; HR business partner; site personal assistant; project manager and maintenance co-ordinator. Compared to people managers, support managers found it more difficult to think of examples of when they used their discretion, possibly due to the nature of their work, as mentioned before. To a large extent their work was to ensure staff compliance to rules and regulations, leaving less room for discretion. As K3 declared:

“I am definitely inhibited by the fact that we get these processes or programs of work and they are dictated from above, and there is no communication about it”

5.2.2.1 Task discretion

A common thread that ran through the interviews with TSMG’s was that discretion was often used to take a long term view of task related issues (E15; E18; E19; K4). E15 explained how a long term view was taken to guarantee that future needs would be met in terms of staff IT and office space:

“It was a lot of extra work for me and I could just turn a blind eye...but I don’t like half doing things...that’s one of the Fonterra values”

E18 reported the use of discretion in decisions about rework (rework is a term used to refer to sub-standard products):

“The decision was made no rework gets used without it actually coming out of the factory into our stock system, and then being used. Downstream effects are extra cost into our PNL line, and also extra usage of cheese”

E19 described how discretion was used in ordering chemicals so that usage and cost could be balanced in the interest of the following year’s budget. K4 also took a longer term view in the standardisation of metal detectors which resulted in a national benefit for the organisation instead of a site only gain.

5.2.2.2 Relational discretion

The contributions of TSMG's in terms of relational discretion shared a theme of fairness in decision making. E15 explained that decisions were made based on the golden rule: to treat others the way that you would like to be treated. For this reason, this participant would go an extra mile to ensure that employee needs were met adequately. E4 explained staff members compared their experiences and if they found that they had not been treated the same it could result in dissent:

“We were trying to streamline our decision making for those people related things, because they talk. We tried to get some alignment around those decisions and judgements”

It was with this in mind that tactical support and tactical people managers started regular “people meetings”. Although informal, these meetings were crucial to find out how managers from different departments were treating employees in terms of issues such as staffing, performance management, discipline, and rewards and recognition. By aligning decisions, the idea was to reduce opportunity for staff dissatisfaction (E4).

An interesting example of relational discretion was reported by K2:

“My goal is to see every operator on the plant running their lines the same way day in and day out...and incorporate that into the SOP's by speaking to the guys and saying this is the best way, the safest way, and also the easiest way of doing it” (K2)

However, when first arriving at the site, K2 noticed that the updating of the SOP's was done by a quality team, excluding the contributions of operating staff. K2 used discretion in changing this process by approaching the operational staff for their contributions, with the intent of increasing the usefulness of the operating procedures:

“I said what about the plant guys? They didn't really have any input into it, so I said the plant operators will now actually go through the SOP's and do updates, because if you think –operators are the ones who operate the plant every day. Therefore, their input into this is value to our site”

What made this example conspicuous was the contribution of K6 who was of the opinion that it was uncertain whether the SOP's were a reliable reflection of the

operators' knowledge. K2 explained how their knowledge of machine operation and in fact their own discretion, got 'lost in translation' when tacit knowledge was transferred to operation manuals:

"They ask them to relay what it is they do and how they do it and that gets translated in to the standards. So basically that is the opportunity for an operator to contribute, and to get their judgements on how to best operate this piece of equipment, but instead of seeing it that way, they see it as a way of putting boundaries on what they do and kind of actually fixing a trap for themselves...they don't see their contribution as sharing an easier or better way, they see it as a rule. That once it was written in there, they would not be allowed to do anything else" (K6)

By employing Caza's (2012) domains of discretion and the notions of extrinsic and intrinsic discretion, the discretionary decisions made on tactical management level is summarised in table 5.1 below.

Table 5-1 Analysis of extrinsic and intrinsic discretion on strategic and tactical management levels using Caza's (2012) domains of discretion

Task discretion						
Domain	Example:	Extrinsic	Discretion	Example:	Intrinsic	Discretion
Goal discretion		<ul style="list-style-type: none">• Health and safety• Quality• Compliance				
Technical discretion <i>Methods</i>		<ul style="list-style-type: none">• Reporting a spill• Releasing a potentially contaminated product• How and when tasks are executed• Rework• Production planning and scheduling• Programme development• Standardising operations				
Technical discretion <i>Materials</i>		<ul style="list-style-type: none">• Meeting future needs – office space and equipment• Meeting future needs – ordering supplies				
Technical discretion <i>Schedule</i>		<ul style="list-style-type: none">• Clock-in times• Break times• Overtime• Leave				
Staffing discretion		<ul style="list-style-type: none">• Team composition				
Relational discretion						
	Extrinsic Discretion			Intrinsic Discretion		
Support discretion <i>General</i>		<ul style="list-style-type: none">• Staff communication• Meetings		<ul style="list-style-type: none">• Act as buffer for next managerial level• Incorporating operators' ideas into SOP's• Assist employee in making difficult decisions		

		<ul style="list-style-type: none"> • Show interest in employee's lives
Support discretion <i>Supervisory</i>	<ul style="list-style-type: none"> • Staff discipline • Meetings 	<ul style="list-style-type: none"> • Unusual reward decision
Interpersonal style		<ul style="list-style-type: none"> • Addressing diverse stakeholder needs • Making sure employee needs are met • Show interest in employee's lives • People meetings to ensure workplace harmony

5.2.3 Discussion: Discretion on tactical management level

Examples of task decisions were located within the domains of goal discretion; technical method, material and scheduling discretion; and staffing discretion. Decisions about producing quality products that comply with local and international standards (while ensuring the safety of those who are involved in its production) fit within the domain of ‘goal discretion’. Caza (2012, p.153) describes goal discretion as “*the extent to which they can decide about what they are trying to achieve...both the desired output and the criteria used to evaluate it*”. Technical decisions made by tactical managers about the methods, material, and scheduling of production was obvious and relatively straight forward to allocate to the appropriate domains. These were clearly extrinsic task related decisions regulated by legislation, organisational policies, and prescribed operating procedures. However, other decisions required more careful consideration. Interestingly, the data presented here shows that the domains were not always either intrinsic or extrinsic by nature, but could be either or both. For example, the domain ‘general support’ yielded both intrinsic and extrinsic discretionary decisions.

Caza (2012, 154-155) describes general support as “*discretion about helping others in their work...whether, when, and how to provide assistance...providing motivation or encouragement...training is also included as a component of this domain*”. Staff meetings and training sessions are vehicles by which general support could be provided to employees. These occasions are observable and possible to regulate through company policies and procedures. Although it is a formal expectation that managers would provide opportunities for training and formal support, they still have leeway to decide about the shape such sessions would take, and the frequency by which it would occur. These decisions are in line with the definition of extrinsic discretion: the externally assigned levels of freedom that managers have to execute tasks. However, the level of interest a manager takes in the personal circumstances of employees is difficult to regulate. Instead of being guided by policy, these managers are guided by internal beliefs and values. This finding supports the notion of intrinsic and extrinsic discretion as proposed in chapter two of the thesis.

Decisions to exercise general support by taking an interest in employees' personal circumstances was not formally associated with the role – it resided with the individual who had to make a value based decision (thus using intrinsic discretion) about the level of involvement in the lives of employees. Such behaviour was not necessarily prescribed and regulated by the organisation, but the exercise of an individual manager's discretion to show regard for others.

Some decisions were clearly intrinsic by nature. For example, 'acting as buffer for the next managerial level' under the 'general support' domain. Employees sometimes chose to make decisions outside of their role expectations due to concern for their managers. Employees were aware how busy the managers were and did not want to burden them unnecessarily.

Also under general support, was a manager's decision to include contributions of operators in the writing of the SOP manual. Although it could have been done without their direct input, this manager decided that the operators' contributions were crucial since they were the ones operating the machinery. On the other hand, operators seemed to withhold information when contributing to the writing of SOP's. Interestingly, this could be explained as an attempt to preserve discretion in their decision making. Once information was entered into the SOP, it became part of prescribed organisational regulation and no longer an individual approach to problem solving.

Staff discipline and supervisory meetings were clearly external and task related, while the example of an unusual reward decision did not quite fit. According to Caza the power to reward and punish lies within the supervisory support domain. The prescribed regulation did not allow for employees to be rewarded for faithfully turning up at work. However participant E3 knew that sick leave was abused by many employees and the faithfulness of one particular employee therefore stood out. In making an extrinsic discretionary decision, E3 would not have been able to reward the employee for this behaviour. However, in making a value based decision, therefore using intrinsic discretion, E3 found a way to reward the employee.

Interpersonal style decisions are described by Caza (2012, P.155) as “*discretion about their behaviour in interpersonal contact with others*”. These decisions were mostly intrinsic by nature, in other words, decisions based on the intrinsic beliefs and values of the individual, instead of guided by regulation. For example, different unit managers had leeway within their roles to reward or punish, approve leave, and make acquisitions. However, it became apparent that employees from the different units talked amongst each other, and when comparing how they were treated by their respective managers, dissatisfaction ensued on occasion. The unit managers subsequently decided to introduce an informal ‘people meeting’ which took place on a weekly basis. The meetings were informal and created an opportunity where intended decisions could be discussed so that workplace harmony could be maintained. Similarly, managers used intrinsic discretion to ensure that employee and other stakeholder needs were addressed in the interest of fairness and harmony.

In summary the discretionary decisions made by tactical managers is demonstrated in figure 5.1 below. On this level some discretionary decisions were clearly either intrinsic or extrinsic by nature, while others such as support decisions were both intrinsic and extrinsic.

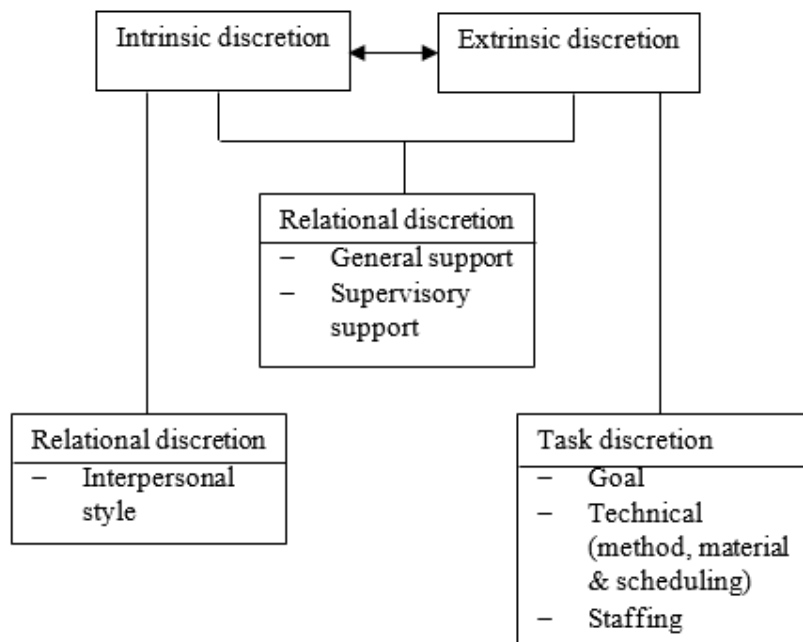


Figure 5-1 Intrinsic and extrinsic discretionary decisions of tactical managers on the deliberation continuum

5.3 Operational Management level (OMG)

Findings on the operational management level are presented in this section, by following a similar pattern to the previous section on tactical management level: First the examples that operational managers shared are presented, and summarised in table 5.3. This is followed by a schematic presentation of the dimensions of discretion as exercised on the deliberation continuum of the ethical decision making process.

5.3.1 Task discretion

Operational managers reported a variety of task related decisions that required their use of discretion. These tasks could be clustered together in four groups: 1. Production and organising; 2. Breakdowns; 3. Staffing; 4. H&S and quality. Operational managers often made discretionary decisions that required them to draw on their personal experience and their judgement of what the right course of action would be. K11 stated:

“There’s a huge range of decisions to be made. Some of it has to do with prioritising work; some of it is organising and planning decisions. Some are pressured decisions; some are not pressured”.

E2 similarly described: *“I am always having to make decisions, to do with break-downs and staffing...”*

Operational managers emphasised the importance of making a decision, even when they felt unsure about the best way to go. W8 declared:

“Depending on what the decision is: production, manufacturing, quality, you know, I have to make a decision...whether it be the right one or the wrong one. I base that decision on what I think or what I know has to happen”

According to E2, most of their decisions were made around production and mechanical breakdowns. Very often these decisions were made to prevent a crisis, or had to be made in the middle of the night when no one else was around to consult:

“You are the person who’s in the room that’s responsible for three power factories in the middle of the night. You know if something

goes wrong you got to make the decision, you got to notify people but you're managing it at the coal face" (W8)

E2 explained that lead operators had a reasonable amount of leeway. For example, they had the opportunity to accept or decline a pre-planned schedule:

"If we do not think that it is achievable in the four days that we work we can actually let them know, and if it is not a critical order there is the possibility to pull back to suit our days"

They found decisions about running or stopping a production line difficult. Yet these were decisions that they needed to make daily in the interest of safety, quality, and maintenance (E10).

Operational managers also had discretionary ability in terms of quality and health and safety. Although much of this was regulated by procedure, it still remained the responsibility of the operational manager to make the final call. For example, K12 (a supervisor at the distribution centre) declared:

"Our decisions are about acceptance of trucks as they come in. We can draw a fine line saying yes, we are accepting it, or no, we aren't accepting it. Under the food hygiene regulations, it has to meet a standard, we can make a decision on what we need to do. They are day-to-day decisions"

W8 explained that his decision making included weighing up the risk involved, and the potential for someone to get hurt:

"That's every day, all the time. At the end of the day you don't want your mate to get hurt, you don't want to drag down the department because someone got hurt. You got to make sure that you are doing the right things"

Operational managers were very aware of the responsibility that came with discretionary decisions and the potential impact of their choices on the company. K11 explained how a decision one could have an impact worth millions of dollars on the organisation. Immediately after a shut-down period where significant maintenance was carried out, a steam meter failed. In order to replace it, the plant would have to shut down again. There were tank loads of milk already on the way to the plant, and the impact of his decision would be significant:

“My manager was away, so I gathered as much information as I could. I had to work out a plan within a four-hour time frame. We had to devise a plan of how to measure our steam accurately for 12 months, without the steam meter. That decision was worth a million dollars a month. If I take a 10% role, it is \$100 000 a month that it could cost us. So of we are talking about huge decisions I have to make...” (K11)

Decision making responsibility could become very burdensome, and in the case of W8 eventually led to resignation from the position:

“On the day-to-day running you make the decisions for everyone in the room. I was standing there looking out in the packing room, people working away, and I thought, what stress have they got? They have no stress at all, and here I am, worrying about all this stuff. I thought, at what point am I going to step away from this role? And then I stood there and I think...that’s now!”

5.3.2 Relational discretion

Operational managers found decisions about approaching others in the workplace (in other words, relational decisions) difficult. Different scenarios were shared in conversations about the use of discretion in managing relationships in the workplace. E11 detailed a case where the dismissal of an employee was recommended based on medical grounds. The decision to make this recommendation was difficult due to E11 knowing the employee well and admiring the employees work ethic. However, the medication that the employee was taking had the potential to impair human ability to operate machinery. E11 explained:

“The medication she was on may hinder her judgement. It did not make her drowsy but because it may, I had to recommend she be stood down from her position. I know morally that she does a good job, she is honest and reliable and she has been upfront about the medication...you got to stand the person down, because of our collective agreement, but morally as a person, you are worried about how that person is going to pay her mortgage...the people issues are always really difficult decisions for me”

E6 shared a similar decision.

“It was pretty hard, because I was thinking one, he was going to lose his job potentially, and two, are they going to believe me or are they going to think I am just having a dig at him personally? So it was a bit of a tricky one...but I think I can’t really just bite my tongue on that, because he was doing wrong”

Operational managers furthermore explained that discretion was necessary when they had to deal with difficult employees. In one instance, an employee became highly agitated, and it was clear that this employee could potentially cause damage to the equipment if allowed to continue to work. In this volatile situation with others looking on, W9 chose to remain calm and to remove the person from the workplace to reach a more reasonable frame of mind:

“So that’s how I took that situation. He was going to wreck the drier...he got very frustrated and called me some names. Name calling, I don’t care about, but the people turning around to see what is going on lift the hairs on my back. So, I could have got real angry, but I got told by quite a few people that I handled the situation pretty well”

E2 was another lead operator who related the use of discretion in dealing with a difficult employee. In this instance the employee requested to be shifted to a different group. To accommodate this request other team members had to change places as well. Not long after, the staff member who requested the change wanted to move back to the original group. E2 explained:

“As a lead operator and also the team leader, listening to what the people have to say, is important. But at the other end you get the negativity from that person who wants to come back. It is just personalities though, dealing with the different personalities. Someone has a bright idea, we do it, and it does not work as well as they thought, so then the negative part of their personality comes out”

In addition, staff members could easily get involved in arguments, especially when doing night shifts. E25 explained that people who did not get much sleep were generally irritable:

“Tiredness is the worst. It can affect decision making when someone make a snappy remark. When you are doing a night shift, at 2:00 or 3:00 in the morning people get a bit tired”

Making decisions where people were involved were not clear cut, and operational managers (OMG's) thought it was important to use discretion wisely. According to W8 this was crucial if lead operators wanted staff cooperation. W9 divulged that the decision to trust someone was also a matter of discretion:

“Trust is based on your opinion of their capability to do the job at the time, but probably on friendship as well. When you live in a group of people for so long, they become part of your family. So you joke together, go out together, outside of work, you do things outside of work together, so that trust is more than just a working relationship”

The last example of relational discretion is that of E2. This lead operator had the additional role as site union representative. At times this OMG experienced role conflict. On the one hand staff who did not keep to contractual obligations had to be disciplined, but on the other hand E2 also had to act as union representative in defence of the staff member. It required insight and discernment to separate these roles. Discretion was imperative when deciding how to approach a staff member whose actions required the performance of both roles. However, E2 eventually decided to ask for another employee to serve as union delegate so that the roles could be separated entirely. The discretionary decisions made on operational management level is summarised in table 5.2 below.

Table 5-2 Analysis of extrinsic and intrinsic discretion on operational management level using Caza's (2012) eight domains of discretion

Task Discretion		
Domain	Example: Extrinsic discretion	Example: Intrinsic discretion
Goal discretion	<ul style="list-style-type: none"> • Quality • Health and safety 	
Technical discretion <i>Methods</i>	<ul style="list-style-type: none"> • • Prioritising work • Planning and organising work • Production and manufacturing decisions • Mechanical break downs • Stop/run production line 	
Technical discretion <i>Materials</i>		
Technical discretion <i>Schedule</i>	<ul style="list-style-type: none"> • Scheduling 	
Staffing discretion	<ul style="list-style-type: none"> • Recommend dismissal 	
Relational Discretion		
Support discretion <i>General</i>	<ul style="list-style-type: none"> • Encourage employee participation and implement their ideas 	
Support discretion <i>Supervisory</i>	<ul style="list-style-type: none"> • Managing difficult employees • Managing personality differences 	<ul style="list-style-type: none"> • Carry responsibility on behalf others

Interpersonal style		<ul style="list-style-type: none"> • Dealing with troubled employee while maintaining workplace harmony • Dealing with different personalities • Trusting staff members • Managing conflicting roles
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5.3.3 Discussion: Discretion on operational management level

The discretionary decisions made on operational management level were mostly technical methods decisions, and decisions related to interpersonal style, while some discretionary decisions were also reported in making scheduling and staffing decisions. These examples can be viewed in table 5.2. Although no examples were collected in the other domains, it does not mean that no decisions were made in these areas. The nature of the research is such that the interviews were conducted in a specific moment in time, and the examples that were front-of-mind for the participants at that time, were the ones that they shared.

It is noticeable that operational managers often exercised intrinsic discretion (values based decisions) which is not necessarily prescribed and easy to make. Participants indeed emphasised that they found decisions related to interpersonal relations the hardest to make, since it was not always clear cut and demanded a degree of insight from them to make the right choices.

E6 explained a situation where a decision had to be made about reporting an employee who was believed to be committing fraud against the company. This was an interesting example of the use of discretion that did not easily fit into any of the eight domains identified by Caza. The possibility that an intrinsic approach to discretion could be an answer to the nature of this particular decision will be further developed in the discussion chapter (chapter 8).

In summary the discretionary decisions made by operational managers is demonstrated in figure 5.2 below. On this level most discretionary decisions were either intrinsic or extrinsic by nature. While some discretion was used in determining the best technical methods to follow, an example of an ethical decision discussed above indicated the usefulness of also classifying it as a “methods decision” but on the intrinsic end of the judgement continuum.

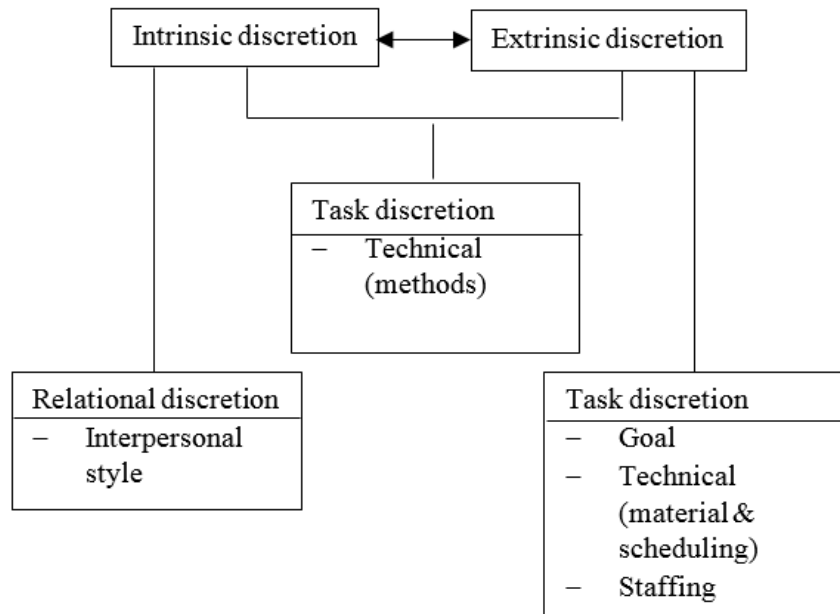


Figure 5-2 Intrinsic and extrinsic decisions of operational managers on the deliberation continuum

5.4 Operational Staff (OS) and Technical Staff (TS) members

This section presents the findings of discretionary decisions on operational and technical staff level. As in the previous two sections, the findings pertaining to discretionary decisions will be summarised in table 5.5 and schematically presented in figure 5.3.

5.4.1 Task discretion

Technical and operational staff did not think that they made discretionary decisions related to the tasks they performed. E12 summarised it as follows:

“On the floor it is just the job, push the green button or the red button, and as long as the machine is going, you don’t worry about anything else, besides your smoko. That’s the truth of it” (E12)

Although decisions needed to be made, they were not described as discretionary. For example, they explained that operators had to keep an eye on a number of things that could affect the flow of production:

“The vacuum can change; the cheese can slightly change from the formula, moisture, and things like that. You have to keep an eye on the flow and the sheet, the temperature and things like that” (E22)

However, decisions to make the necessary adjustments had to be made on the spot, which did require quick thinking and action. Furthermore, participants explained that they needed to make sure they had the right tools and equipment ready before the start of their shifts:

“At the toolbox meeting we are told what happened at the shift before, and we then have to make sure that we are ready to go. We have to make sure we have the tools for the job. We have to make sure our lines are filled with cardboards, make sure we have the right labels, the right codes, and documents” (E20)

W10 added health and safety as another area where decision making was required.

“You have to think of how they could hurt themselves, what control you have to put in place so they can’t hurt themselves, it is all about health and safety, but also making sure it is right too” (W10)

5.4.2 Relational discretion

When discretion was analysed from a relational perspective it was easier to identify the use of discretion on staff level. This involved the way in which they chose to relate to others in their immediate work environment. Participants offered a number of these examples. Some of the interviews were quite informal, around a table in the “smoko-hut” where operators assembled for their break times. It was here that E13 expressed:

“Yip, making decisions every day, and you are always trying to do what you are supposed to do and do your job and pretty much not piss everyone off”

Looking past the unconventional language it became clear that operators did more than just pushing buttons and checking moisture levels. They functioned in a fast paced environment in close proximity to others. Their discretion resided in the way they chose to get along with others while working on a shift.

In a discussion with E22, the researcher observed how fast the operators worked in the beginning of a ‘cheese run’. Two people skilfully worked around each other, but there was plenty of opportunity to get in each other’s way. E22 replied:

“When you have worked with people for some time, you start to know their habits...I was taught to tell people when you were moving behind them. You would say “behind”. Eventually it became second nature”

E14 similarly explained the need to be aware of differences amongst team members. Not everyone had the same preferences for jobs, but it helped to remind each other that the common goal was to release the products as needed:

“There are some good jobs and some bad jobs, but at the end of the day the job has to be done. You just have to make that decision on who’s doing it and some people might take it well, and some may not take it well, but you have to explain that at the end of the day we are here to get the cheese out of the door, so it has to be done whether they like it or not

W10 revealed more insight into the discretion used in relationships, and emphasised the importance of being considerate towards others:

“I suppose if you had someone that’s quite religious you don’t want to upset them. We also had a woman start in our shift. We were an all-male shift and we’ve got a woman now, so I suppose you have to hold to your language and your jokes (laughing) to some degree, when you’ve got women on shift, as opposed to an all-male crew. So you have to consider the female aspect of the things a bit more. Language and so on...”

W11 pointed to the value of having a positive attitude when approaching others in the work place:

“A smile is free. You know - if you smile at someone they actually sometimes cannot help but smile back. When you see it happen it is quite funny...I don’t go around deliberately smiling, but I just find that’s a habit I suppose. When you see someone, just smile, and then they smile, and it makes it all better”

By employing Caza’s (2012) domains of discretion and the notions of extrinsic and intrinsic discretion, the discretionary decisions made on operational and technical staff level is summarised in table 5.3 below.

Table 5-3 Analysis of extrinsic and intrinsic discretion on staff level using Caza's (2012) eight domains of discretion

Task Discretion		
Domain	Example: Extrinsic discretion	Example: Intrinsic discretion
Goal discretion	<ul style="list-style-type: none"> Health and safety 	
Technical discretion <i>Methods</i>		
Technical discretion <i>Material</i>	<ul style="list-style-type: none"> Choice of tools and equipment 	
Technical discretion <i>Schedule</i>	<ul style="list-style-type: none"> Pace (line flow) Control of moisture levels and temperature 	
Staffing discretion:		
Relational discretion		
Support discretion <i>General</i>		<ul style="list-style-type: none"> Influencing others
Support discretion <i>Supervisory</i>		
Interpersonal style		<ul style="list-style-type: none"> Workplace harmony Courtesy Positive attitude

5.4.3 Discussion

The discretionary decisions made on operational and technical staff levels are summarised in table 5.3. Although participants did not consider their decisions to be discretionary by nature, an analysis of the examples that they offered indicated that they made limited decisions which fell into the discretionary domains. Health and safety decisions were examples of goal discretion, while decisions about tools and materials were examples of technical material decisions. Decisions about the pace by which products moved through the manufacturing process; and the control of temperature and moisture levels were examples of technical scheduling discretion. Participants did not think of these as significant decisions, perhaps due to the level of mechanisation and the minimal input required from them. Although they did not consider the turn of a button as a noteworthy decision, the consequences of a wrong decision could potentially have extensive consequences for the company.

On the other hand, decisions pertaining to work relationships were deemed more challenging by the participants. These decisions fall into the general support domain and the interpersonal style domain. It was clear that organisational members on the lower levels did in fact make discretionary decisions on a daily basis in terms of the way in which they related to others. Decisions to be considerate of differences such as gender and religion between them; and to encourage each other toward reaching a common objective, led to behaviour that maintained workplace harmony.

In summary the discretionary decisions made by operational and technical staff members is demonstrated in figure 5.3 below. On this level most discretionary decisions were either intrinsic or extrinsic by nature.

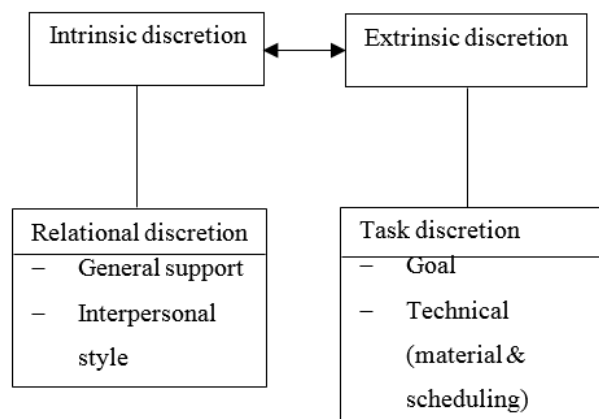


Figure 5-3 Intrinsic and extrinsic discretion on operational and technical staff member level

5.5 Comparative analysis: extrinsic and intrinsic discretion; discretionary domains and organisational levels

The previous three sections presented an analysis and discussion of discretionary decisions made on three organisational levels. The findings showed that discretionary decisions that were both task and relation focused were carried out by participants on all three of the organisational levels, including those on lower levels

of the organisation, such as operational and technical staff member level. In this section a comparative analysis of these decisions on all three levels are presented.

Table 5.4 compares and contrasts discretionary decisions made on the different organisational levels, by employing Caza's domains, and separating intrinsic and extrinsic decisions within the respective domains. This table is based on the examples that participants recalled during the interviews with the researcher, and is therefore not an exhaustive list of the decisions that they made at work. The examples are rather viewed as 'front-of-mind'; in other words, those that participants first thought of as they reflected on their decision making in the workplace.

Table 5-4 Comparative analysis: extrinsic and intrinsic discretion; Caza's (2012) discretionary domains and organisational levels

Extrinsic Discretion				Intrinsic discretion		
Domain	Organisational decision level			Organisational decision level		
Goal discretion	TMG	OMG	OS/TS	TMG	OMG	OS/TS
Technical: <i>Method</i>	TMG	OMG	OS/TS	TMG	OMG	OS/TS
Technical: <i>Material</i>	TMG	OMG	OS/TS	TMG	OMG	OS/TS
Technical: <i>Scheduling</i>	TMG	OMG	OS/TS	TMG	OMG	OS/TS
Staffing discretion	TMG	OMG	OS/TS	TMG	OMG	OS/TS
Support: General	TMG	OMG	OS/TS	TMG	OMG	OS/TS
Support: Supervisory	TMG	OMG	OS/TS	TMG	OMG	OS/TS
Interpersonal style	TMG	OMG	OS/TS	TMG	OMG	OS/TS

(Key: TMG = Tactical Manager; OMG = Operational manager; OS/TS = Operational staff member or Technical Staff member)

The table above provides a comparative overview of participant's perceptions of the discretionary decision making power they possessed. The grey areas are indicative of the discretionary domains they referred to when they commented on the leeway they had in decision making. Managers as well as staff level employees commented on *goal discretion*. However, on all three the levels these comments pertained to health and safety; quality and compliance. Rigorous legislation as well as organisational policies and regulations were discussed, which not only determined how daily tasks were to be carried out, but also significantly impeded their goal discretion. Goal setting in the organisation left little leeway, and would therefore be located toward the far end of extrinsic discretion on the deliberation continuum.

In terms of *task discretion*, participants on the tactical management level reported considerable discretion in terms of the methods, material, and schedules they chose to reach business goals. The level of discretion was prescribed by the organisation and associated with the positions they held, and therefore extrinsic by nature. On operational management level, leeway was reported in decisions about the methods and schedules used to achieve objectives. No examples of leeway in terms of the material was commented on. This could possibly be associated with limited discretionary power in terms of procurement of material, which was instead the responsibility of managers on tactical level. In one instance a tactical manager shared an example where personal decision making power (for the procurement of equipment) was delegated to team members. However, the operational managers that were part of the study were either not part of this particular team or did not mention it in the interviews. Employees on lower organisational levels also used task discretion but they did not identify it as such, perhaps due to the repetitive nature of their work and the low level of input required owing to the mechanisation of the production process. By believing that their decision to either press or not press a button was not significant, staff members may not realise the potentially far reaching consequences that such small decisions could have on the business.

Staffing discretion was only discussed on management level. Strong opinions were shared about their reduced ability to participate in the hiring of employees. The recruitment and selection process was recently centralised and stricter rules were

adopted in the appointment of new employees. The use of discretion was still reported in terms of team composition (tactical level) and recommendations to dismiss (operational level). However, overall the feeling was that discretion was severely impacted by the new organisational regulations.

Comments about *support discretion* were interesting because these decisions were both intrinsic and extrinsic by nature. *Supervisory support* was commented on by both tactical and operational managers. Tactical managers commented about discretion used in disciplining staff and making sure that opportunities were created where information could be shared with employees. These were tasks that were expected from them, but the way in which it was carried out (for example the essence and frequency of meetings) was impacted by their use of discretion. Operational managers commented on the challenges they faced in dealing with difficult staff members and the demands that placed on their ability to make good judgements. They also stepped outside of organisational expectations by carrying more responsibility for the actions of others than what the organisation expected from them. *General support* discretion (assisting, influencing, motivating, and encouraging others) was referenced by all participants. Tactical managers discussed extrinsic discretion in the general support of others. This was in line with the organisational expectation that managers would take the responsibility of assisting others as part of their job. Operational managers also reported discretion in encouraging others, while staff members recounted their use of discretion in terms of influencing and encouraging fellow team members. General support might be an organisational expectation, but much of these actions were less observable, encounter based and without direct cost (thus intrinsic by nature).

Interpersonal style discretion was also discussed by participants on all organisational levels, and participants reported these to be the most challenging decisions they had to make. Different to task decisions these decisions were not always clear cut and prescribed by company guidelines. Instead, employees used their personal interpretation and subjective judgements to decide what the appropriate course of action should be. In other words, their behaviour was directed by personal values and beliefs.

5.6 Conclusion

Caza's model was used to analyse the discretionary decisions made by employees on three organisational levels. However, in the current study this model was extended to add another dimension to the existing internal/external and task/relationship dimensions as identified by Caza. By using the dimensions of *intrinsic* and *extrinsic* discretion, a more robust analysis of the use of discretion was possible. The Goal of chapter five was to answer the research question "*How do employees on different organisational levels exercise discretion?*" The findings presented here demonstrated that discretionary decisions were exercised by employees on all three of the organisational decision levels.

It was found that some of the decisions required judgement within the parameters of prescribed rules (extrinsic discretion), but others required decision makers to rely on personal assessment of situations in order to choose the right course of action (intrinsic discretion). The use of intrinsic discretion was particularly evident in decisions involving interpersonal relationships. On all three of the organisational levels, participants acknowledged that interpersonal relationship decisions were the more challenging decisions they had to make: the available options were not always as clear cut as in the case of task decisions. Instead they had to rely on personal assessment of situations and make values based judgements. On all three of the levels this was true in terms of *interpersonal style* decisions.

Extrinsic decisions were also made on all three levels. These were task decisions made within prescribed parameters, such as goal decisions, and technical decisions (involving the use of methods and material, and scheduling of tasks). Most of the decisions made by tactical support managers were task related, since they were not primarily responsible for the management of subordinates. In addition, they did not enjoy high levels of leeway, since their work required compliance to prescribed regulations in terms of quality, and health and safety.

In other instances, the discretionary dimension within which a decision was made showed evidence of both intrinsic and extrinsic decisions. For example, support

decisions on the tactical and operational management level: the organisation expected that support would be provided to others in the execution of duties (e.g. providing feedback opportunities), but the extent of the support cannot always be prescribed. Decision makers moved beyond the parameters of organisational expectation, to provide a higher level of support. Decisions to provide extended support was guided by internal beliefs and values. Similarly, employees chose to make decisions outside of prescribed parameters to act as “buffer” for a next management level. Evidence of these types of decisions was found on both the tactical and operational management level. Since carrying responsibility on behalf of others was not prescribed by the organisation, the decisions to do so was founded upon individual employees’ internal values.

The data presented in chapter five clearly showed that discretion was exercised by employees throughout the organisation. Importantly it was also found that many of these decisions were intrinsic by nature, which indicated that employees depended on internal values and belief systems to guide their decision making. Chapter six will look more closely at the nature of the values that underpinned their decisions.

Chapter 6: Values and the use of discretion

6.1 Introduction

In chapter 5, findings were presented about the ways in which employees on three different organisational levels exercised discretion in decision making. The findings suggested that both intrinsic and extrinsic discretionary decisions were made by all employees. When extrinsic discretion was used, employees made judgements within approved parameters associated with the positions they occupied. However, when intrinsic discretion was used, the preferred course of action was chosen based on internalised beliefs and values. The aim of chapter 6 is therefore to illuminate the role of values in discretionary decision making, by answering sub question 2: *“How do values impact on the use of discretion?”* The chapter is divided into three parts. In part one the personal values of participants are analysed by organising them into terminal and instrumental values (Rokeach, 1973). The findings suggested that participants cherished their *social* terminal values over *individual* terminal values. They preferred to make decisions in collaboration with others. In part two findings are presented showing that participants valued collaborating over the use of individual discretion. This is in keeping with the high value placed on social terminal values. In part three the role of organisational values in discretion (as it emerged from the data) is offered. The data showed that the organisational values were accepted as a set of surrogate values in the absence of clearly defined personal values.

6.2 Part 1: Personal beliefs and values

Values are desirable states, objects, goals or behaviours that transcend specific situations and are applied as normative standards to choose among alternative modes of behaviour (Elizur & Sagie, 1999). Personal values are principles or standards based on individual backgrounds and beliefs and are held by individuals or groups (Cazier, Shao, & St. Louis, 2007). This has an effect on employee's behaviour as well as their interpretations of, and responses to, work related issues.

The results of this study revealed a number of personal values esteemed by research participants. These are presented next to demonstrate the drive behind participant's discretionary choices in the absence of clearly defined organisational rules and regulations. Rokeach's (1973) classification of terminal and instrumental values are employed to organise the findings.

6.2.1 Terminal values

Terminal values are the desirable end-states of existence, or the goals that an individual would like to achieve during their life time (Rokeach, 1973). Some terminal values qualify as values for one self, while others are held for society rather than for self (Mueller & Wornhoff, 1990). Terminal values shared by participants in this study were almost exclusively social by nature. Participants often cited their concern for the well-being of others as the basis for their decisions. Decisions were made to ensure everyone's safety and happiness at work. E20 (OMG) declared that safety was an important value in decision making:

"When we leave home in the morning, safety is a good value to have. If you break something down there and you don't tell the next lot and someone hurt themselves, you're buggered really"

W10:163(OS) echoed safety as a reason for decisions:

"It is all about health and safety; it's about making sure it is right"

W8:77 (OMG) agreed:

"At the end of the day you don't want your mate to get hurt...you have to make sure that you are doing the right things"

K2:188(TSMG) Stated:

"I've made calls where I have actually stopped lines and said this is not going to run, it is unsafe, and if I am wrong, so be it...I want to make sure that my staff go home in a safe manner"

K13(OS), and E17 (TPMG) in addition declared that the happiness of their co-workers was an important rationale for their decision making. K13 stated: *"it is usually about other people more than my own personal drive to do something"*

Concern for co-workers was regularly likened to being part of a family. W5 (OMG) declared:

“When you live in a group of people for so long, you know, they become part of your family... your relationship is stronger than only having co-workers, and you think that you can actually rely on that bond”

E12, an operational staff member explained that their supervisors would do anything for them, just as parents would do for their children: *“It is just part of being a parent. They are all parents you know, staff being their children”*. Besides having the best interest of co-workers at heart, participants also cherished the integrity of the wider community, which they formed part of. How they behaved at work was seen as a tribute to the people who raised them and instilled good values in them. W5 for example explained *“what I think is right is ultimately based on how I was brought up and told what was right”*. W9 (OMG) also did not want to make unwise decisions at work; for fear it could harm the reputation of extended family members in the wider community.

The data showed that participants held the well-being and reputation of the communities that they lived and worked with in high esteem, indicating that the values of the participants were more society-centered than self-centered (Abdolmohammadi & Baker, 2006). Participants in fact did not emphasise individual end-states of existence (e.g. personal accomplishment, inner harmony, self-respect, social recognition) as their terminal values. Instead, they strived to accomplish outcomes that would benefit those who shared the community with them (e.g. equality, safety, and harmony). The values that participants considered instrumental in attaining their terminal values are presented next.

6.2.2 Instrumental: competence values

Instrumental values are the modes of behaviour that people choose to use in order to achieve the terminal values (Rokeach, 1973). These values are essentially personal characteristics or behaviour syndromes, which are valued in one self or in others. Instrumental values are either related to general competence or to the morality of the individual (Abdolmohammadi & Baker, 2006; Mueller & Wornhoff, 1990). Participants valued their personal competence (in the form of drive for

success; vocational and company experience; and logic) as the basis for their discretionary choices. They furthermore disclosed moral values such as honesty, openness, and trust as underlying values. Some reference was made to religion and conscience, and a number of participants cited the golden rule as the basis for their decision making. These are discussed next in more detail.

6.2.2.1 Drive for success

K14 (TSMG); W8 (OMG); and E21 (OS) disclosed that they used their discretion to ensure they were successful in what they did. K14 offered natural curiosity and commitment to continuous improvement as motives for decisions and W8 would do the right thing due to an aversion to failure. E21 declared that the most important value that decisions are based on is that *“you have to care about what you are doing”*.

6.2.2.2 Experience

Some participants explained that in the absence of rules or guidelines, they were able to make decisions based on their years of experience. Their tenure with Fonterra or their experience doing a specific job provided them with tacit knowledge that they could draw on when having to choose between options. W8 (OMG) for example stated:

“I may not have that qualification - that bit of paper, but man, do I know how to run milk powder factories”

K12 (OMG) and E12 (OS) both based their decisions on the knowledge and confidence they gained from years of experience in the dairy factory, and wisdom that came with age, as K12 declared: *“...as you get older you actually learn how to deal with situations a lot better”*. K14 (TSMG) was sure that tenure with Fonterra allowed leeway in decision making:

“I’ve got reasonable standing I suppose, because of my history, so I can normally get my point across without too much effort, and be understood and be allowed to do what I feel I need to do”

K3 (TSMG) also relied on experience to make the best decisions. However, this participant explained the use of experience as using “gut instinct”. To rely on one’s gut instinct is to use intuition, or judgement that is emotionally charged. Usually

the ability to make intuitive decisions is due to experience that a person obtained by being involved with a particular task or situation (Morrish, 2012). K3 explained: *“I am personally not skilled at scaffolding, but I went and had a look. He pointed out his concerns and they seem justified. And this is where I used my gut instinct”*. K3 was not directly involved with the building of scaffolding, but was familiar enough with the use of scaffolding on site to instinctively know whether the scaffolding was safe or not.

6.2.2.3 Logic

W8 (OMG), E14(TS) and E17 (TPMG) made decisions only after thorough consideration of available facts. Instead of relying on their feelings, they would base their decision on logical thought processes.

W8: “There is a process: if the place is burning down you might make some spur of the moment decisions, but generally you ‘stop think and act’. You think about what needs to be done, what the problem is and what needs to be done, and then go from there”

E14: “What I usually find frustrating is when decisions are based on emotions rather than facts. Sometimes you might think things are always failing because you are emotional. But if you look at the facts, you might find that what you thought was the problem is not really the problem, but something else. We need to get the facts right before we make a decision”

E17 (TPMG): “I have to be satisfied in my own mind that I have gone through a cycle of understanding, looking for positive outcomes and then going right back through to make sure that it was the right decision to make”

The next examples of personal values are also instrumental by nature, but the conduct of participants was guided by moral values instead of competence values.

6.2.3 Instrumental: Moral values

Moral values that were offered as basis for decisions were religion, conscience, and the golden rule: 'do unto others as you would like them to do unto you'. W6 mentioned a number of moral values that were important when using his discretion:

"Communication is a big thing, being able to talk and to be transparent and open. Integrity is a big thing for me. If you say you are going to do something, do it. I think being open, being transparent, that relates closely to trust...and authenticity is a big value for me"

6.2.3.1 Religion

Only two participants E4 (TSMG) and E5 (TPMG) referred to their catholic faith and upbringing as the underlying basis for decisions that they made. No other references to religion were made. These two participants (who were interviewed together) explained that they attended catholic primary schools, still went to church, and that their children also attended catholic schools. E5 explained:

"If you had the same conversation with another manager, they might disagree. I still try and see the good in people, and that's why decision making is sometimes difficult here - if you are making a decision that does not come natural to you. But you do realise that sometimes you have to make the call, and divorce yourself from the person"

6.2.3.2 Conscience

W6 (TPMG) explained an instance of a conscience based decision. Conscience is an ethical awareness that helps individuals to keep unbalanced pursuits of goals and purposes in check (Goodpaster, 2000), and is associated with feelings of guilt (Singer, 1984). W6 explained an opportunity to inflate their engagement score (as part of a Gallup survey across the site). Although nobody would know and a colleague of W6 was eager to proceed with the deception, W6 decided not to go through with the plan: *"It did not feel right to me so I didn't do it. Because every time I looked at the engagement score I would know; even though it was minute, I would still know"*

6.2.3.3 The Golden Rule

The “golden rule” was quoted often as the underlying reason why participants made specific choices. K12 (OMG) stated:

“Treat others the way you want to be treated. I think it comes down to wisdom – as you get older you actually learn how to deal with situations a lot better than when you were younger. The old fist does not come out so fast; you take it on the chin, and you deal with it the way you think you would like to be dealt with”

Similarly, W1 (TSMG); K8(TSMG); and E15 (TSMG) explained that they used their discretion based on the principle of treating others the way they would like to be treated:

W1: *“I was thinking about the individual, who has been harassed; if it was me, how would I feel?”*

K8: *“And we said we all have families; would we want our families, our babies taking that product? No, we wouldn’t if we knew there was something wrong with it”*

E15: *“If I was the customer, I’d be really annoyed”*

Participants cherished competence values over moral values as instrumental to attaining their desirable end-state (the social integrity and well-being of those they shared their communities with). They found it easier to articulate competence values such as experience, logic, and personal ambition. In terms of moral values, the golden rule was cited most regularly as an instrumental value. To ‘do unto others as you want them to do unto you’ also resonated with the emphasis they placed on social terminal values.

The research question that this chapter is addressing asks *“how do values impact the use of discretion?”* When the data was first analysed the strength of collaboration as a common theme was surprising. However, after examining participants’ personal values it became clear that their emphasis on social values significantly impacted the way that discretion was used in the work place. Participants had a strong preference to collaborate with others when making novel

decisions. The next section thus elaborates on the social nature of the discretionary decision process at Fonterra.

6.3 Part 2: Collaboration

To exercise discretion is a decision in itself: employees have the option to engage in individual decision making (and to use the leeway granted to them), or to make routine decisions and rely on others to make the decisions with or for them. In the present study a considerable number of participants across all organisational levels explained that decisions were regularly made in collaboration with others. In fact, W6 recognised an increasing tendency to use collaboration in decision making:

I thought I was already thorough, but I now seem to check with more and more people, and in a lot of ways that can actually slow the decision making process” W6 (TPMG)

Collaboration emerged as a significant theme from the data, and further analysis revealed four reasons why it was preferred over the individual use of discretion. Participants first explained that the use of individual discretion could lead to dissent. They preferred participative decision making above the use of discretion, in order to gain employee cooperation. Second, they acknowledged that it was not possible to personally have all the required knowledge to make good decisions, and they therefore chose to collaborate in order to improve the quality of their decisions. Third, experts were available and accessible and it made good sense to include more knowledgeable individuals in decision making. Fourth, collaboration was thought to promote cost efficiency. Lastly, collaboration with others was favoured in decisions pertaining to health and safety. These five factors are illustrated in figure 6.1 below, followed by a discussion of the research findings on each one in turn.



Figure 6-1 Factors that encouraged collaborative decision making

6.3.1 Creating buy-in:

The first reason why participants chose not to use individual discretion was to ensure participation and to create buy-in; in other words, to encourage employee ownership of decision outcomes. This reason was mostly offered when tactical and operational managers were prodded about the use of individual discretion. E17 for example considered individual discretion as a unilateral form of decision making to which his staff members would not respond favourably:

“I can easily go down there and tell them what to do if that was how they wanted to be managed, but I don’t want to be managed like that, so how would they like it? Most people want to have some kind of control over their life, and I am willing to give that to them” E17 (TPMG)

E17 explained that weighing up alternatives and acting on personal judgement might impact negatively on employee engagement. E17 believed that collaboration with team members was a better alternative:

“...you ask them but they don’t always give their input, so that means they haven’t had influence on the decision making process, so you don’t get buy-in. You are more likely to get acceptance of the outcomes if they had been involved” E17 (TPMG)

Besides the importance of obtaining buy-in from shop floor employees, K5 explained that his ideas were limited, and in his opinion it needed to be corroborated by staff members:

“I have to have my decisions validated or supported by production staff. I need to get agreement. For me a hard decision is not to decide what to do, it is more about getting people to agree with me to get something done” K5 (TSMG)

K6 reflected on the reason why employee participation in decision making was so important. This participant elaborated on the impact that regular changes in management had on employee participation. In the past employees offered ideas when management requested it, but those ideas got lost every time when a new manager would take over. The trust relationship between management and employees suffered as a result, and employees became hesitant to put any ideas forward:

“Their ideas disappear - so to be able to get that collaboration and the buy-in to what you are trying to do or achieve, can be a challenge”

K6 (TPMG)

K6 was therefore very careful not to make decisions without consulting his employees, and above all, to illustrate that the ideas they offered was valued. When prodded about individual discretion K2, K3 (tactical managers), and K12 (operational manager) also underlined the importance of collaboration to reduce employee resistance:

“They got that actual input and they see that you are actually going to listen to them...it makes your job so much easier” (K2)

“You can’t come in and say you have to do it like this because the resistance is there and it will never fly” (K3)

“I get them involved...if there is a decision that has to be made, it is made as a team, it is not just made by the boss, you know” (K12)

From the excerpts above it was clear that collaboration and a demonstrated recognition of employee input in decision making were deemed more important than the practice of individual discretion. Most of the references to collaboration

were made in terms of shop floor staff and with the intent of ‘getting things done’ as the next few examples demonstrate:

“If they don’t agree with me, nothing gets done. I need to get agreement with production staff on site to get things done. We can probably guide them, but we can’t dictate” K5 (TSMG)

“I take on board what they say to me, I digest it and work out if it is a better idea or not. Or we may come up with a different plan, based on two concepts of what needs to happen, and then that’s the decision we make” W8 (OMG)

“Any major decisions that need to be sorted on the shop floor that might interfere in their daily work are discussed with them, and then we make a decision on how they are going to handle it. They are the ones that have to work with it, so they have to accept it...” K12 (OMG)

“We have to work with the maintenance department, but definitely with the operations staff. We need to gain their understanding of what’s going on” K14 (TSMG)

6.3.2 Improving decision quality

In Fonterra, collaboration was used to seek a more valuable choice than could be envisioned individually, and others were therefore included when choices needed to be made in the absence of clear guidelines. This was evident from the example offered by E15. This participant chose to collaborate with a reporting staff member, in order to reach an optimal solution rather than using individual discretion in decision making. Similarly, E17 noted that the team would be called together to debate an issue to ensure the best outcome:

“Often when an issue is highlighted, the team gets together and debates the issue to get a really good outcome...so you use the team dynamics to help evolve and improve” E17 (TPMG).

K4 also explained that there were certain decisions that were reserved for a team approach, since that would ensure the best outcome:

“Once again those are decisions that generally would be made by a team, rather than an individual” K4 (TSMG)

Employees new to their roles furthermore chose collaboration to improve decision quality:

“especially earlier on in the roles I would generally go to someone to see if the decision that I wanted to make was the right one and then got feedback on that, and learned from those experiences until I got to the point where I was ready to make my own calls” K10 (TSMG)

W6 summarised the role of collaboration in decision quality:

“Yea, I think in general my decisions had been better through collaboration, or they have definitely enforced the decision making or made me understand the consequences of the decision”

W6 (TPMG)

To improve the quality of their decisions, collaboration was also sought from others beyond their own sites, as evidenced by examples shared by K4 and K14:

“I could simply have made the recommendations to the site manager and said, I think we need to do this, this, and this, and left it at that. That would have been one course of action but I chose to go beyond the site, and I think for the company as a whole the outcomes of that should be very positive in the end” K4 (TSMG)

“...some of the decisions are made by contacting other sites, to see what is going on there ...K14 (TSMG)

Participants agreed that collaboration was an important alternative to individual discretion. They reported that some decisions were just better made in a team environment, and in the early stages of a new career, decision makers benefitted from the experience of others who have been there before them. They also valued the opinions of others who worked on different Fonterra sites in order to improve the quality of their decisions

6.3.3 Consulting experts

The next major theme that emerged in terms of collaboration was the consulting of experts. Participants explained that uncertainty in weighing up options was reduced

by consulting experts instead of relying on personal judgement. K1 explained that the availability of experts in the organisation freed up personal time to focus on the areas where the most value could be added:

“There’s really, really smart people here who know how to make the product, so that is not the value I bring...” K1 (TPMG)

While experts were accessible, K4 noted that it would be short-sighted to use personal discretion:

“...I am also someone that if I know there is someone out there that knows more about something than I do, I’ll ask them. I am not going to make a blind decision because I want to be in charge” K4 (TSMG)

K7 explained that advice from experts is called in to make the right decisions:

“K8 and K9 have a vast laboratory background which I don’t, and I am not from a dairy background, so a lot of these things we need to get advice from the experts and make an ethical or the right decision with those facts” K7 (TPMG)

Instead of making individual judgements, consulting experts were thought to be a better option. The use of experts was considered to help reduce uncertainty and free up time. In addition, the environment within which they operated sometimes necessitated participants’ use of experts to ensure that the right decisions were made. Participants did not want to demonstrate a misplaced confidence in their own abilities by blindly using individual discretion instead of consulting experts. Looking back at the data on personal competence values, this may seem contradictory: participants valued their personal experience in their work as instrumental in attaining terminal objectives; yet here the importance of consultation is clearly stated. It is important to keep the sophisticated work environment at Fonterra in mind. It is a large operation where individuals of various areas of expertise congregate to achieve a common objective. The research data seems to indicate that, although participants have confidence in their own abilities, they respected the capabilities of others outside of their personal areas of expertise.

6.3.4 Facilitating cost efficiency

The last condition that compelled participants to seek collaboration in decision making was factory down time and cost. E2 explained that most decisions were

around breakdowns, and that it was preferable to make decisions in collaboration with production staff, due to their superior knowledge of the production line:

“I am always making decisions, to do with break-downs and staffing. Obviously different breakdowns mean different things, and I try to look at it with the help of others. A lot of my decisions about mechanical break-downs are based on the help of the team, because they are the ones that have been there longer than me” E2 (TPMG)

The opportunity to bring down cost encouraged E8 to use his discretion in selecting a supplier for bearings. Although Fonterra had an approved supplier, a competitor offered a better price and a shorter delivery time. In this example, E8 collaborated with his manager, and together they decided not to use the approved supplier:

We have approved suppliers that we use on site. We had an issue with bearings, we priced for a better upgrade of bearings for the machine. We went to the opposition of our supplier and priced it through them. They came back cheaper and also had them available. Our regular supplier charged double the price with 7-week delivery time. So I made a decision to use the other company. We have been told that we should be using the approved supplier on site, but we have made a decision we should not have to use them if they are not the best option.” E8 (TSMG)

6.3.5 Ensuring safety

On occasions when safety was at stake, participants revealed a preference for collaboration with others instead of relying on personal discretion. Most telling is the next example, where a strategic manager disclosed preference for consulting with a colleague even though a unilateral decision would have been acceptable:

“We made a product for a customer this year, I think about 4000 tonnes. But it had a different kind of micro biological organism in it, and we made a judgement call here not to offer it to them. If we were strictly going with a rules based approach, I think we would have reasoned that it was manufactured within spec, so we can give it to them. But that’s not a particular good decision, because we knew there was something else in that product. So we made a judgement call that would cost the company more money. It would also impact

my personal key performance indicators, but it was the right call to make so it became a really easy decision” K1 (TPMG)

K7, similarly described examples of product safety, and the role of collaboration:

“Well, we had a lot of meetings with micro-biologists and specialised people and we discussed it with the customer as well. We had an initial indication from them that they would not accept the product anyway. Then after confirmation from specialists, and micro biologists, and knowing what the application will be used for (pharmaceutical, immune-compromised people, children, or infants), it was decided that it was not suitable for use. There was a lot of discussion around this and it was in conjunction with our team and the technical team, as well as information we have been given by FRDC, [Fonterra Research and Development Centre] that we made the decision” K7(TPMG)

K7 offered another example:

“...so it is making sure in conjunction with production that we do that trace-back exercise to make sure that we have captured all those units, and waiting for the testing to make sure it is coming down below that level. If not, then we have to put more units on hold, or do more testing I should say K7(TPMG)

Although many sound reasons were offered for the option to collaborate instead of using individual discretion, some participants expressed concern that individuals could use collaboration as a way to evade personal responsibility for decisions:

“You can absolve some of your responsibility to the group; you can abdicate your sense of responsibility to the group (K5)

K4 noted that not all individuals were team players and that provision should be made for them to use their personal discretion at times:

“The other interesting side of collaborative working as well...is it impacts on engagement...some people are more capable of being team players than others. Some people enjoy not having to make individual decisions. Some people miss it and get a bit fed-up and that” (K4)

The data presented in part two of this chapter suggested that the discretionary decision making process was more sophisticated than what the researcher expected. First, participants seemed to engage in an additional step that preceded the deliberation phase of the decision making process. During this step they decided whether they wanted to engage in the discretionary decision making process or not. Second, they often chose not to engage in individual decision making but to participate in a collaborative effort to make a judgement. The data in the first part of this chapter suggest that this behaviour may be motivated by strong social values held by the participants. Advantages such as employee ownership of decisions and actions, employee empowerment, employee safety, and expert advice to improve decision quality were valued above the exercise of individual discretion. Figure 6.2 illustrates this additional step as it fits into a process that emerged as a *discretionary decision making process*. Awareness that a judgement was needed, did not always lead to individual use of discretion (in the deliberation stage), but to the choice to collaborate with others in deciding what the most desirable course of action would be.



Figure 6-2 Decision to engage as a preliminary step to the use of discretion

In part one of this chapter findings were presented about participant's personal values that underpinned their discretionary choices. Part two showed that these values impacted their use of discretion in an unexpected way. Instead of exercising individual discretion, participants sometimes chose to engage in collaborative decision making, based on strong terminal social values. However, the data also revealed that discretionary decisions were significantly impacted by company values. These findings are presented next.

6.4 Part 3: Company values

Fonterra ‘re-packaged’ their core values in a way that made it easier for employees to integrate it into their normal work life. At the time of the research this re-packaged value set had been in place for five years. The values consist of four concise statements, each supported by a sub-set of key ideas explaining its meaning (see chapter 3 for a detailed discussion of the values):

- Co-operative spirit
- Make it happen
- Test the boundaries
- Do the right thing

6.4.1 Dissemination of values through the organisation

Participants from all organisational levels referenced the values during the interviews. E5 (TPMG) and K1 (TPMG) explained that the basic language in which the values were expressed made it easy for employees to understand and remember. E4 (TSMG) stated: *“The values are easy to relate to. Plain language – do what’s right”*. Participants explained that the values were brought up in daily conversations at work: *“...in normal conversations people will say “challenge boundaries” or “we do what’s right”* W1 (TSMG); *people reference the values quite a lot, like: that is not in line with our values”* W2 (TSMG).

K6 (TPMG), K13 (OS) and W1 (TSMG) stated that the Fonterra values were much more apparent in the work place than those at their previous places of employment:

“They actually always link the values back to what we do in the workplace in a practical way, whereas my previous employer never really did. We didn’t quite know how it was relevant to our work, but here it is always brought up at a meeting or something

K13(OS)

The previous company that I worked with didn’t have company values that I can actually remember, or that were ever impressed on me. But I am fully aware of what Fonterra’s values are”

K6 (TPMG)

Participants explained that the values were displayed throughout the work place: *“They are very visible”* W2 (TSMG); *“It is everywhere...they are our values. They are Fonterra values”* K12 (OMG). Employees were therefore constantly reminded of what the organisation valued. It was also reinforced through regular reference to it in meetings and conversations. K10 explained how this took place in practice, and that employees were rewarded for implementing the values in the performance of their duties:

“Well, now the Fonterra values are more clear and easier to comprehend. In the past they were interpreted differently by different people and could have been seen as being a bit vague. Now they are very clear and we talk about them every day in our management meeting. We look for examples of where individuals or groups of people have delivered on those values and then at the end of the week, the on-call managers select one of those people or groups and they get a morning tea or something like that the following week”

K10 (TSMG)

6.4.2 Enactment of company values

Participants shared many examples of how they enacted the Fonterra values in their daily work. For each of the four values, one example has been selected and is presented below. These examples are representative of the three different sites.

6.4.2.1 Cooperative spirit

W3 and E11 both explained that a co-operative spirit was evident in the way that different departments worked together:

“Co-operating with the rest of the plant is satisfying our own internal customers to ensure they can achieve what they need to achieve”

W3 (TPMG)

“We have to have a co-operative spirit because no one can do it alone. We need maintenance, maintenance need us, we need stores...you know, we all have to be collective. I think each and every one of those values is big, in the business and on a personal level.

You put your hand on your heart that what you are doing is the best that you can do” E11 (OMG)

6.4.2.2 Make it happen

W9 explained that each shift needed to be considerate of the next shift. By leaving the plant in good repair, they helped to “make it happen”, part of which was to help others succeed:

“We help everyone every day: helping co-workers, helping people get through, helping people when things are not right and all that. Doing what’s right I guess. When you see something broken, never leave it for the next person to fix” W9 (OMG)

6.4.2.3 Test the boundaries

E3 (TPMG) relayed an incident of taking the initiative to implement an alternative method to measure tank contents. Although a better method was available, the staff still used a less accurate and time consuming method of measuring the contents manually.

“Once a week you are supposed to go out there, climb a ladder, and put a stick down to tell you how much is in there. I refused to do it after about the third time...why have scales if we are going to go out there and do a stock take this way? What’s the point? In the end, I think people agreed with me and now they don’t go and do manual stock takes anymore. So you do use the values”

6.4.2.4 Do the right thing

The next example offered by W6 shows how one employee weighed up between staying within the rules and making a values based decision. On the one hand, Fonterra regulation prohibited the taking of unapproved photos of the plant but on the other hand W6 knew there was only this one opportunity to take the photos and wanted to “do the right thing” and “make it happen”:

“I took a bunch of photos with a customer today. In the back of my mind I thought that I was not going to share those until I got permission, because I didn’t want to get in trouble; but you have to

think about 'do what's right'. The customer came all the way from Azerbaijan to see his butter...and I mean, do what's right! Take a photo, the guy's here! All I was thinking was that he has been in the business for 15 years and he finally got out here. But I also didn't want to get in trouble for this...all I could say was what the hell – challenge the boundaries, push it! But that is not necessarily the right thing to do. Make it happen, take the photo, give it to him”
W6:364(TPMG)

As the last example clearly shows, the values cannot always be separated. Participants on different organisational levels have explained this:

“I guess the interesting thing about the Fonterra values is that you've got quite a buffet of values if you like. I think 23 sub-values under the four main ones. So for me it is important that they are a package and how it plays out in each one of those four areas. At no point should any of them be discarded, so each [value] has a role to play in all decisions” E1 (TPMG)

“It is about applying all the values not just one at a time”
W6 (TPMG)

“None of the values are more important than the other. They interconnect with each other”
E14 (TS)

An important finding that emerged from the data on organisational values as the foundation of discretionary decisions is participants' reference to the value 'co-operative spirit' in comparison to the other three core values. In the first two parts of the chapter, the importance of social values and collaboration in decision making was apparent. Consequently, the expectation would be that the core value “co-operative spirit” would emerge stronger than the other three core values. This was however not the case. Instead, the core value 'do the right thing' was referenced much more frequently than any of the other values. This is an interesting anomaly that needs further exploration.

6.4.3 Organisational values as basis for decision making

A large number of participants reported that they fully identified with the Fonterra values. This sentiment was shared by employees from all organisational levels and across the three sites: W10(OS); W11(OS); K12(OMG); K13(OMG); W8(OMG); W7(OMG); W5(OMG); E14(TS); E15(TSMG); E18(TPMG); E16(TPMG); K6(TPMG); W5(TPMG); E15(TSMG); K10(TSMG); K12(OMG); K11(OMG).

When asked to consider the reasons why certain options were chosen over others, participants regularly cited the company values as the basis for their decision making. E18 (TPMG) never experienced a situation where a work place decision clashed with personal values. E16 (TPMG) and E15 (TSMG) similarly explained that they did not need to make a conscious effort to adopt the Fonterra values, since it was well aligned with what they believed in anyway: *“I really do not have to think about them too much, they are pretty much how I would live my life”* E15

W8 (OMG) declared that his decisions would be exactly the same, even if the Fonterra values did not exist.

W5 (TPMG) contemplated the way in which the Fonterra values came into being, but concluded that, even if it was a deliberate effort on the part of the company, it still had a positive effect and provided a solid foundation for decision making. W8 (TPMG) added that although the values were packaged differently now, it had always been part of the organisation in some form, and guided his decision making.

The way in which the values were packaged five years ago definitely commanded the attention of employees. W11 and E18 explained that the values got deeply embedded in their thinking. W11 one of the operating staff stated: *“When they first came out, they were ingrained in us I suppose, some stuck more than others, but I do find myself using them”*; while E18, a tactical people manager, similarly stated: *“I found they got stuck in my mind, and I have not been inducted or trained in them or anything like that – they are quite easy to stick in your mind!”* This participant also explained how the Fonterra values fit with personal activities, even outside the work environment: *“...there is the co-operative spirit, if you are involved in different clubs, schools and things like that”* (E18). E14 (TS) explained that the values were necessary to keep the plant running *“everything you do has to be around those values we have as a company. Your decisions have to be based on that, even if you are challenging them”*. E4 (TSMG) explained that although family

values were important, another important basis for decision making was the refreshed Fonterra values. K10 (TSMG) appreciated the congruence between personal and company values which was vital to concentrate on achieving work objectives.

Fonterra succeeded to formulate the company values in a way that made it easy for employees to understand, remember, and identify with. With little exception, employees reported that the organisational values were in agreement with what they believed and valued as individuals. This is indicative of value congruence (Cazier et al., 2007; Georgellis & Lange, 2011), when a positive relation between life and work values exist. The values were visibly displayed in the work place, regularly enforced in company communication and modelled by managers. However, critique of the values voiced by some participants also deserve to be mentioned.

6.4.4 Criticism and conflicting values

Although participants were mostly supportive of the values, there was some critique as well. The next quotes illustrate five different issues that were brought up:

1. Selective use of values

The values were often referenced in decision making, however the possibility existed that individuals could emphasise different values in dealing with the same situation. E3 explained how one person saw a situation as “having a tough conversation” while another saw it as disregarding the golden rule. On the other hand, E3 also admitted to feeling more strongly about specific values:

“People sometimes only look at the ones that work for them ... like ‘treat others like I would expect to be treated’ ...people try to push on that one. But I see the other side of it – speak openly and honestly, and have the tough conversations... those ones are for me: tough conversations, safety first and put the whole of Fonterra before its parts” E3 (TPMG)

2. Using values to justify behaviour

E17 found it hard to identify with some of the values, when seen from the perspective of others. Not everyone interpreted the values the same. “Challenging the boundaries” was offered as an example. E17 believed that this value was sometimes used as an excuse to break the rules or justify their behaviour:

“We have some people that will take it further than others, outside the limits of what it is designed to do... challenging the boundaries; people might use that as an excuse to justify behaviour that has actually gone too far...And they’ll say: ‘I am just challenging the boundaries’. And I see that a lot. That is not how I see challenging the boundaries, so is it a value to me? No it is not. There is a conflict there” E17 (TPMG)

3. The values are transient

On the lower organisational levels there was uncertainty regarding whether the values were not just transient corporate buzzwords. Certain phrases seemed to come and go, and where they used to hear a lot about the values, it has now been replaced with other catch phrases like “turn down the noise”. It also seemed as if the values were not emphasised as much anymore as it had been a few years ago:

“We used to hear it a couple of years ago through our morning meetings, they used to talk about that stuff...not that much anymore... There are other phrases like turn down the noise and things like that...” W9 (OMG)

4. Management’s modelling of value based behaviour

An observation made by E7 emphasised how important it was that senior management modelled the use of the values. In this instance, employees were able to observe the enactment of value based behaviour by their previous manager, while it was less obvious with the current manager. Consequently, employees on lower levels of the organisation seemed to feel removed from the values:

“Further up the chain they’ll talk the values, but I don’t see a lot of walking with it, whereas this previous manager he walked and talked it” E7 (OMG)

5. Moral conflict

Participants sometimes experienced moral conflict when they had to make decisions based on the organisational values. E3 (TPMG) made the point that processes and procedures “took the sting out of the decision”. However, E3 explained the same process can make things very complicated when you wanted to individualise in dealing with 200 different people; it sometimes required the following of procedures that went against “gut feelings”. E17 explained how implementing the values had the same effect. To “make it happen” E17 felt pulled

away from a personal value which placed his family first. In this way, the values created personal conflict and added to personal stress levels. E11 similarly explained personal conflict when having to “do the right thing”. This participant knew that standing someone down in the interest of the company, impacted greatly on the life and family of the employee involved; something E11 personally found hard to reconcile with a personal value of caring for others. The value “do the right thing” had the potential to create confusion, according to E19 (TSMG). E19 explained that the value left too much room for interpretation and explained that for example, if people had different religious backgrounds, their ideas of what is considered “right” could lead to very different outcomes. E17 similarly felt that the value “challenge the boundaries” might be hard for some people to enact, especially when they did not like conflict.

Part 3 revealed the significant role that organisational values played in the decision making processes of individual employees. During the interviews, participants found it challenging to articulate thoughts about their personal values. On the other hand, they knew the organisational values off by heart. The organisational value set outlined what they believed, and therefore they adopted it as a set of surrogate values in the absence of clearly defined personal values. This was true for participants on all three the organisational levels, and across the three different research sites. Overall, congruence seemed to exist between personal and organisational values, which is depicted in figure 6.3. However, an anomaly was noted between reports about the significance of personal social values and the comparative regularity by which the organisational value ‘co-operative spirit was cited.

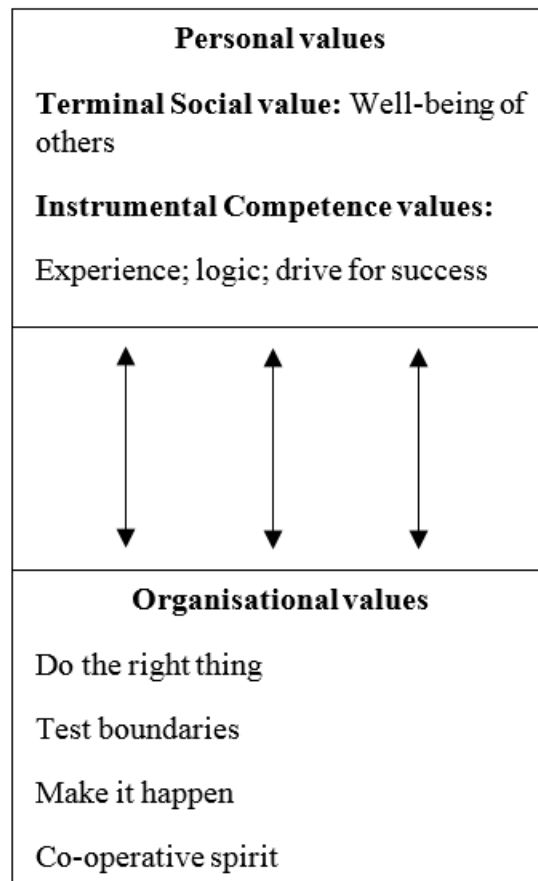


Figure 6-3 Personal and organisational value congruence

6.5 Conclusion

In conclusion chapter six offered findings to answer sub-questions one of the research study: *“How do values impact on the use of discretion?”*

Participants found it challenging to articulate the personal values that underpinned their discretionary choices. In general, the well-being of others was expressed as a terminal social value, and competency values such as a drive for success, logic, and experience, were the instrumental values mostly referenced. A significant finding was the major role that organisational values played in the substantiation of discretionary choices. In the absence of clearly defined personal values, Fonterra’s values were adopted as a set of surrogate values to support discretionary choices. An anomaly between the importance of social terminal values and reference to the organisational value “co-operative spirit” need further investigation.

A preceding step to the use of discretion in the deliberation stage of the decision-making process was identified. The findings suggested that during this step, employees opted to either collaborate with others or to use individual discretion. In line with their high regard for social terminal values, participants regularly chose collaboration over the use of individual discretion. Collaboration was chosen for the benefit of garnering employee participation, improving decision quality, facilitating cost efficiency, and ensuring safety. Chapter seven follows next where the factors that were either conducive or restrictive to participants' use of discretion are detailed.

Chapter 7: Factors conducive and restrictive to discretionary decision making

7.1 Introduction

Chapter five demonstrated that when employees engaged in individual decision making, the exercise of discretion was not necessarily limited to particular roles (e.g. managers), but employees on all organisational levels faced discretionary choices on a daily basis. Often these decisions pertained to the way others were approached in the work environment. This became apparent when the extrinsic and intrinsic nature of decisions was examined. Chapter six offered insights about the values that underpinned the discretionary choices of the research participants. In particular, the important role of organisational values as surrogate for clearly defined personal values was disclosed, along with the health and well-being of others in the work place as a strong terminal social value. It was furthermore established that employees often opted to collaborate with others instead of making individual decisions.

The aim of chapter 7 is to answer the third sub-question: *“What factors contribute to and inhibit the use of discretion?”* The first part of the chapter is devoted to management style, which emerged as the single most important theme that encouraged the use of discretion. Four sub-themes were identified and will be presented in turn: encouragement, support, tolerance, and collective ownership of decision outcomes.

Overall, more factors were found to restrict, rather than encourage the use of discretion, and these will be presented in the second part of the chapter. Interestingly, participants experienced some of the restricting factors more positively than others. The way participants experienced the different factors varied according to the organisational practices it was associated with. Following the presentation of the findings on restrictive factors, a conclusion and an integrated

model, demonstrating the impact of the various factors on employee discretion in the workplace, is offered.

7.2 Part 1: Factors that encourage the use of discretion

During the course of the interviews, it very soon became apparent that the management style adopted by Fonterra managers was key to the alacrity of employees to engage in discretionary decision making. The appreciation of employee contributions expressed by managers, was repeated by participants across the three different sites and on all levels of the organisation. Perhaps one of the most telling was a remark made by an employee at the Whareroa plant:

“For me, who your manager is and how they deal with you and their behaviours, is probably the single most important thing for determining you are making your own decisions (W5)

For some, Fonterra had a unique management style, different to what they were used to at previous places of employment. K13 for example, was a technical staff member (lower organisational level) who recently came to Fonterra from another company. The participant noticed that Fonterra employees, even at lower levels, were confident in making decisions, and ascribed it to the way they were managed:

“I definitely see it with the senior technicians; that they are confident, I guess through that management style, they are confident to make a decision”

An operational manager (or floor supervisor) at the Eltham site confirmed that supervisors and staff on lower organisational levels did not see themselves as disempowered, but able to participate in the work environment by making decisions on the shop floor: *“We are pretty free to make our own decisions”* (E6). On the tactical management level K2 corroborated the positive influence of managers on their willingness to use discretion:

Int: “OK, so just in general– what enhances or inhibits your ability to use your discretion personally?”
[Thinking time here]

K2: “You get listened to. People actually listen to you”

The quotes above are only an indication of what participants revealed about the management style at Fonterra. Overall, the data yielded four cogent themes associated with management style that positively affected their willingness to make discretionary choices. These are illustrated in figure 7.1 below, followed by a presentation of the findings on each:

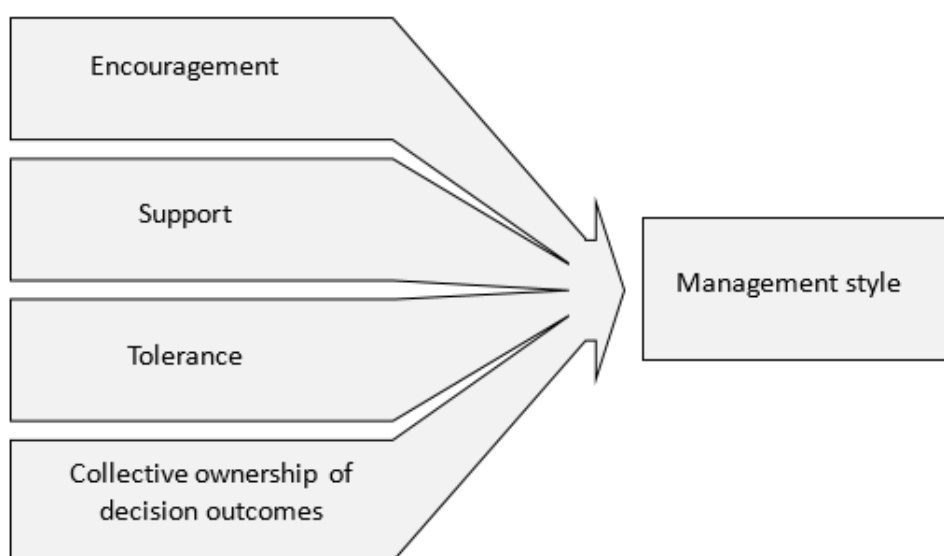


Figure 7-1 Management style conducive to discretionary decision making

7.2.1 Encouragement

The findings showed that managers on strategic, tactical, and operational levels agreed that employees should use their own judgement in the execution of their duties, while staff members confirmed that their decision making was integrated into their daily activities. It was however obvious that the freedom employees were expected to use in decision making was reminiscent of extrinsic discretion, where leeway was controlled by organisational procedures and prescriptions. E1 who occupied a senior management role, summarised it well:

“I guess my expectations are that they should feel that they can make decisions that fit with their job description, consistent with the objectives we are trying to achieve. But ultimately fitting in with the Fonterra values is the key bit for me... I guess in terms

of their decision making I want them to feel that at any stage, if their safety is in jeopardy or we are compromising food safety or putting people at risk, that they can pull the pin and not be too worried about repercussions”

Besides his encouragement of employees to make independent decisions, participant E1’s account included clear boundaries within which employee discretion was expected to be exercised. Decisions needed to be consistent with organisational values and objectives, and fit within their job descriptions. In other words, employees needed to have a clear understanding of organisational strategy and objectives, and also had to know the boundaries associated with their organisational positions. Furthermore, they needed to be able to identify when a decision fell outside their own decision territory and to then escalate it to the next management level. Safety, as in the quote above, was often singled out as an important condition for the use of discretion. In the quote above, the manager (one of the highest ranking included in the study) emphasised that decisive action was expected if the safety of either people or product was in jeopardy. Employees were expected to put safety above production.

W3 (TPMG), and W8 (OMG) equally stated that employees were expected to go about their daily duties by making sound decisions, provided those decisions remained within pre-determined parameters:

“They are generally highly qualified people with engineering background and training, so I expect them to make good decisions on a day to day basis. On the other hand, I do expect them to operate within the rules” (W3)

“I don’t mind them making their own decisions, I just need to know that they have made a decision, and what that decision was, and then obviously if they made the right decision, that is perfect, that is what we want” (W8)

Employees on shop floor level confirmed this expectation. Interestingly K13, a technician, was able to compare experiences between Fonterra and company B, a previous employer:

“We just problem-solve as we go, whereas at company B, if there was a problem, we had to go straight to the co-coordinator, and she would sort it out. If we did not tell her there was an issue, you could expect problems. She wanted to know everything so that she could stay on top, but here it is good. We are expected to actually sort the problems out ourselves as far as we can, and you escalate it after that”

Fonterra employees were thus encouraged to make decisions, provided they recognised organisational objectives, the parameters of their own positions, and their responsibility for the safety of themselves and others. In turn, they were left to proceed with their tasks without continuous monitoring. K13 compared this approach with a previous work place where employees were subjected to micro management, and W7 reported similar experiences with micro-management earlier on in his career:

“So I think that is key for me – people need to mature themselves in their roles, and be allowed to make their own decisions. I am happy to help them...but I look back over managers that I’ve worked with over the years that very much micro-managed the team, and to me it did not work. I now have an opportunity to use my views and values with what I see works, and I hope it has a positive effect”

K12 confirmed:

“...the majority of the time they’ll make their own decisions. I don’t have to be looking over their shoulder that they are doing their job. They know their job. They know the decisions they need to make to make their job happen” K12 (OMG)

Contemporary Fonterra managers expected employees to be aware of their decision making parameters, but did not subscribe to micro-management. Instead they encouraged employees to use their discretion independently. W7 (TPMG) from Whareroa relished employee autonomy. This participant was passionate about employee development, and therefore provided team members with enough opportunity to make their own decisions:

“I’m an avid fan of autonomy for our people as well, and by giving them, or allowing that opportunity to make the decisions for themselves ...”

W3 and W4 on the same management level at Whareroa echoed W7’s opinion, and similarly underlined that employees were more likely to come up with novel solutions when they were encouraged to use their own discretion:

“It is amazing what ideas people come up with to get things done, more efficient, safer, rather than your ideas as a manager ...”

W3

“... they had to think more creatively about how they are going to spend their budget to achieve the same end...by pushing back to them and getting them to think about it more, they were able to come up with funding in such a way that it was going to come from their operational budget, and they were able to trim back spending in other areas to ensure that they don’t go over budget”

W4

One of the Fonterra values is to “make it happen”, supported by the sub statement: “creating a climate for others to succeed”. Managers seemed to act from this principle, by encouraging employees to grapple with issues without interference from them. Employee creativity was thereby stimulated and more fitting solutions were sometimes found than what the manager might have envisioned. Another example of this approach is illustrated in the next account: W4’s team wanted to purchase a piece of equipment although W4 personally did not think it was a top priority. Instead of declining their request, W4 gave them the opportunity to figure out how they could go about to finance the purchase. The purchase decision would clearly be outside the assigned discretionary parameters of staff members, and if a directive management style was used, the TPMG would have received, and then promptly declined the purchase request for financial reasons. However, by using an inclusive management style W4 enlarged their discretionary boundaries. They were assigned the responsibility to not only motivate why the purchase should be assigned a higher position of priority, but also how it could be financed within their current budget. Through a flexible management style W4 expanded the

discretionary power allocated to staff members and they demonstrated the ability to find a financially viable way to purchase the equipment.

Employees on the lower organisational levels echoed the encouragement they experienced to make decisions. E11 an operational manager (floor supervisor) at the Eltham site, confided that employees were encouraged to challenge convention:

“To have those courageous conversations is not frowned upon in the organisation. Our bosses acknowledge the fact that somebody had that courage to challenge, you know, as long as it is in a productive way, that’s what it comes down to”

E11 (OMG)

Discretion is typically exercised in situations where conventional practice falls short in providing a satisfactory outcome. As E11’s account implied, the normal expectation would be that ‘courageous conversations’ (in other words conversations where custom was challenged) would be frowned upon. However, this was not the case at Fonterra. Instead, employee efforts to challenge the status quo in productive ways were acknowledged and appreciated. It is important to note that employee behaviour as explained here is part of the culture in Fonterra, which has been instilled by early dairy leaders. According to Schein (1983) such behaviours can persist throughout the lifetime of an organisation. In chapter four, research context, reference was made to the values of early leaders. Bernard Knowles (general manager of the Dairy board, 1975-1985) for example believed in risk taking: that everything was possible, unless there was a law to stop it. Warren Larsen (CEO of the dairy board, 1991-2000) similarly promoted faith in the abilities of dairy employees, and encouraged them to take balanced risks. These values were clearly visible in present day Fonterra.

Although managers encouraged employees to use their discretion and employees appreciated management’s recognition of their decision making abilities and inclusive management style, it did not always come without cost. The data signalled that employees experienced pressure to make decisions on the spot. On the one hand, the expectation was there that a decision would be made in the best interest of the business, but on the other hand, employees were under constant time pressure to

make those decisions. For example, E9 stated: *“The wrong decision is not making a decision”* E9(TPMG). This notion was confirmed by the dialogue between K14, a tactical support manager, and the interviewer:

Int: “I often heard them say managers feel that there are no wrong decisions, the wrong decision is...”

K14: “Not to do anything, that’s right”

Int: “So you encourage them to test the boundaries...”

K14: “Definitely”

W8, a floor supervisor similarly declared:

“At the end of the day there’ll be nothing worse than if something has happened, whether it be H&S, whatever it is, and I do nothing...I stew on it, or I wait...the decision has to be made, and that is why it is more important that you make a decision based on what’s happening at the time, right there and then, rather than waiting for someone else to make that decision. You are better off making the decision and then notify people that you have. Eight hours of humming and hawing is a lot of dollars’ worth of product”

It was clear that employees understood the expectation to use judgement in the execution of their duties. However, the stress that accompanied fast decision making was evident on all organisational levels. On tactical management level W3 stated: *“the thing we are shortest of, is time. People will continue to try and put you on the spot for a decision here and now. Being put on the spot like that is hard”* (W3). E3 agreed that time pressure sometimes necessitated the use of their gut instincts rather than a rational process of decision making: *“...you’ve got to make decisions and you got to stick by your decisions, you can’t afford to dither around. Sometimes you have to go with your gut-feel”*. Decision making in Fonterra required quick judgement and quick action, with hardly any time to reflect on the quality of the decision that had been made, as K5 admitted: *“In our environment in Fonterra, you got to make a decision now... We did several actions simultaneously and it appeared to fix the problem, but we did not go back and see, well which one*

fixed it? ...we could not afford to wait to do that, so from my point of view it was a bad decision”.

An operational manager (supervisory level) in the maintenance team confessed that probably 50% of good decisions made during a winter shut was luck “...because you don’t have the time to really analyse the whole situation” (K11). This participant also confessed: “You got so much on your plate, you just got to make decisions like that (claps fingers in quick succession), so the pressure becomes intense”.

Staff members without supervisory duties similarly felt the time pressure. W10, an operator, remarked: “there is always time constraints when you are dealing with a live product as opposed to steel...you really have to be careful”.

The pressure that employees commented on can be linked back to the strategic objectives of the organisation. In chapter 4 (p. 16) it was explained that the research sites formed part of the “cash generators” whose focus was on profitability and to generate the necessary cash for the growth of the co-operative. In order to reach their targets, employees needed to make quick decisions in challenging situations. They could therefore be tempted to take shortcuts by circumventing rules. W4 explained the importance of time management to ensure that decisions were made within the rules. If employees were not successful in managing their time appropriately, it led to unauthorised actions. According to this participant employees complained that organisational processes slowed down their decision making but in actual fact, time management would ensure that work was carried out within the rules: “If we do the wrong stuff all the time, that are always urgent, then we always have this pressure and there is always tension between following the rules and doing the quick thing” W4 (TPMG).

In summary thus far, employees were encouraged to use their discretion, provided they subjected their decisions to organisational objectives, position parameters, and safety requirements. Organisational values such as “make it happen, creating the climate for others to succeed, and challenging convention through courageous action, supported the use of discretion. In addition, contemporary Fonterra

managers did not support micro-management practices, but trusted employees to make decisions without close monitoring. However, the fast paced environment in which employees functioned often necessitated the use of discretion and could lead to them circumventing organisational prescriptions.

7.2.2 Management support

Employees explained management support in terms of the approval and the security that they experienced from their superiors' involvement. For example, K2 at one point had to consider a multitude of options and appreciated the senior manager's endorsement. It provided K2 with the necessary confidence to act on the decision. K2 furthermore declared:

"You have a management team behind you who are going to say yip, I can see your point"

E9 reported:

"...So I made that decision and I just let my managers know, and usually they are pretty good, thumbs up"

Employees across the different sites confirmed that managers supported them in their decision making. E23 (a tactical support manager at Whareroa, and originally from South Africa) noted that a significant difference between Fonterra and his previous employer in South Africa was the level of management support:

"The difference here is your boss actually listens to you, and he tries to help you when there is a problem, whereas back there, they did not want to hear anything. It was just get the job done, or get out the gate"

A number of other participants also commented on the support that they received from their managers when they needed to make decisions in the workplace. K10's account showed that management support was a common occurrence in Fonterra:

"In all the positions I have been in I had good managers who have been supportive; and also other site staff in the management area"

that encouraged me to make decisions relevant to my role, but available for support if I needed it”

His most recent experience of management support is evident in the following dialogue:

Int: “So you are quite happy with the amount of freedom that you have to make decisions in your job”

K10: “Yes, very happy. My current manager is really supportive around my decision making so I’ve got the freedom to make decisions”

Similarly, W7 surmised that management was supportive of his decisions:

W7: “I would be confident to think that my manager will be comfortable with the decision I make on that...so managing up, yes ... I’d have that support from him”

K11, an operational manager, confirmed:

“...if you are put in a position to make a decision, no matter whether you make a good or bad decision, it’s accepted and it’s supported”

Employees were thus not only encouraged to act independently and to use their discretion in decision making, but they also received ongoing support from their managers while doing so. This support provided the necessary confidence and security they needed to take the riskier steps often required in their daily tasks.

7.2.3 Tolerance

Judgement errors were not seen as an opportunity to rebuke staff, but rather as an opportunity for them to grow and develop. Again, this attitude may be the legacy of early leaders. Warren Larsen for example promulgated the idea that people would make mistakes from time to time, but that these should be seen as opportunities to learn from (chapter 4, p. 4). E1, a strategic manager, aptly described the importance

of tolerating mistakes if employees were to increase their confidence in using their discretionary abilities:

“When they do make the call, and if it is the wrong call, they don’t get a beating for it, you possibly talk through what happened, but it can’t be “you’ve made the wrong call!” because the moment you do that, all of a sudden they won’t make a call anymore” E1 (TPMG)

W7 on tactical management level elaborated that it was the manager’s task to guide the employee through a process to understand what went wrong, so that the same mistake would not be repeated:

“allowing that opportunity to make the decisions for themselves, of course we have one or two that make the odd wrong decision here and there, but we work through that” W7 (TPMG)

K10, a tactical support manager, commented:

“I’ve got the freedom to make a decision and if it turns out to be the wrong decision, then I don’t get dragged over the coals for it, but I learn from the experience and move on” K10 (TSMG)

On supervisory level this same notion was reiterated, fittingly summarised by K11 and E11:

“If you are put in a position to make a decision, no matter whether you make a good or bad decision, it’s accepted and it’s supported. If it is a bad decision, there will be discussions afterward, but it is not a disciplinary meeting, it is about learning” (K11)

You have the support of your manager, so if you make a decision, they’ll back you, ... and at the end of the day I suppose if wrong decisions are made it’s a learning, as long as you adjust, and correct, a wrong decision made is no drama’s” (E11)

E14, a technician, echoed this rational: employees enjoyed management support as long as they learned from their mistakes:

“The management support you as long as you learn something out of those decisions, and it doesn't happen again...”

K13, an operational staff member who recently joined Fonterra expressed relief with the freedom that employees enjoyed here to make their own decisions, and to learn from the experience. K13 came from a more regulated environment and was impressed to just witness ‘first hand’ this supportive approach when things went wrong:

K13: *“I really like that [management support when mistakes were made] ... just to see it first-hand like that was different...”*

Most participants were appreciative of the support that managers provided, but some expressed dissatisfaction. Firstly, W3 and W9 believed that employees were too easily excused from blame, and W6 was not satisfied with the level of management support:

“I think they love you to make your own decisions in principle, but I don't think they always back you. I believe Fonterra is very much in favour of autonomy, allowing people to make their decisions etc. But if you get it wrong, I feel Fonterra is quick to throw the book at you”

W6 went on to illustrate with the next example:

“...there was an incident that went wrong here on site, on a Friday night. The on-call manager at that time dealt with it, and I switched to on-call on the Saturday morning. I did my best to deal with the remainder of the issue. Yet, 2 or 3 weeks after the fact, when we were given very little support during the crisis time, we both felt like we were going to get the book thrown at us for making decisions” W6 (TPMG)

However, as a manager W6 was personally more tolerant of employees' mistakes in their decision making:

“But if it appears it is simply someone not doing their job properly, someone standing on a line, a few hours' worth of

product goes through, and they haven't checked the label, to see if it is correct, yet they signed to say that they have, then that is negligence, and then I believe they deserve the book to be thrown at them. Um, not immediately, I mean maybe they don't quite understand the harshness or the severity of their actions; you got to go case by case" W6 (TPMG)

W3 on the other hand, was of the opinion that individuals were too readily pardoned, and the system blamed for their mistakes instead. The result was that managers then kept themselves responsible for the system failure instead of putting the blame with the individual where it belonged in the first place. This participant recounted the following example:

W3(TPMG): "You might have already heard that in the last month we've had an individual fall off a ladder - and why the hell you climb up a ladder at 3.5 metre and fall off it I don't know - but someone's done that. So they've made a silly mistake. So we look for a fault in the system rather than the individual who has done something really unsafe and should not have done it. We are almost too politically correct about challenging that individual, so we challenge ourselves as managers that we've made the mistake. And the system is at fault rather than the individual"

An operational manager (W9) similarly thought that individuals should carry more of the consequences of their decisions:

W9: "I have seen some things happen that could have had a bit more consequences from slightly higher above, you know...bit of talking to maybe?"

Int: "You think that would be better if there were more real consequences..."

W9: “It may sharpen people up a bit”. When the same mistake happens again and again, then the consequences are not as high as I would have thought” W9 (OMG)

In addition to encouraging and supporting employees to use their discretion, Fonterra managers tolerated mistakes and were willing to use these as learning opportunities for employees. This management style was appreciated by most, but on the other hand, excessive tolerance meant that employees did not always take responsibility for their actions. Instead, the blame was shifted onto the shoulders of managers, or organisational systems. Besides being tolerant, management also encouraged the use of discretion by collectively owning undesirable decision outcomes.

7.2.4 Collective ownership of decision outcomes

Fonterra managers demonstrated a proclivity to share the burden of employees’ unfavourable decision outcomes. The next narrative is a good example:

“They encourage you to make decisions, and then defend you in those decisions. I have one good example I can think of around hiring staff. My manager encouraged me to go and do something that I wanted to do and said we will deal with the consequences of this decision if they came up. So he essentially communicated that as a team, he and I would deal with any problems. So collectively we will own the outcome for this decision. You have made it; we own the outcome. That is kind of the best support you can get, where he says go and do it, and if the outcome is not as we want, we’ll deal with that. I have a few other examples of managers who have done that, who have said to me you make a decision, and if bad stuff happens I’ll support the decision that you have made” W5 (TPMG)

This idea of management backing employees in difficult decision outcomes resonated in comments made by E17, a tactical people manager:

“If you have gone through a reasonable thought process; I’ll back you 100%. We don’t get it right; I don’t get it right. As long as you got a logical reason why you have done that, I’ll back it 100%... You might make the wrong decision, but I’ll still back you”

E11 an operational manager also confided:

You have the support of your manager, so if you make a decision, they’ll back you ... There’s trust in your team, you have trust in your team members, your manager has trust in you and at the end of the day I suppose if wrong decisions are made we learn from it”

W7 (tactical people manager) similarly admitted the extent of personal support to lower level managers. If this participant knew that the manager was wrong the two of them would have a discussion behind closed doors, but on the other side of the door they remained a team in dealing with the fall-out of the decision:

“I talk to my managers and I say to them I’ll support them in any way that I possibly can, if I got any doubt, then that’s a conversation held behind closed doors. And I’ll still support him”

Employee confidence to make discretionary decisions was enhanced by the knowledge that their managers encouraged their use of discretion; that they would be supported during the process; that their mistakes would be tolerated; but also that they did not have to face the consequences of those decisions alone.

7.2.5 Summary: Part 1

Part one of this chapter illustrated that participants were willing to use discretion in the execution of their tasks due to the management style of their superiors. The way in which they were managed is reminiscent of employee empowerment practices: employee contributions were actively sought and valued. Management expected that discretion would be exercised by employees, but also for it to take place within the boundaries of organisational objectives and position prescriptions – emphasising the extrinsic nature of their discretionary decision making (extrinsic

discretion as discussed in chapter 2 is the externally determined levels of freedom – such as assigned organisational rules and regulations in the selection and execution of tasks).

Both managers and employees confirmed that micro management was not approved of in the workplace, which was indicative of a trust relationship between them. It was further indicated that an environment existed within which employees felt safe to exercise their discretion. Management's implementation of Fonterra values such as 'make it happen' and 'challenge the boundaries' contributed to the development of this environment.

However, employees experienced constant time pressure, which sometimes made the use of discretion inevitable. Consistent encouragement and support from managers positively impacted employees' willingness to take risks in decision making. Employees still felt secure in using their discretion in such an arduous environment - a result of mistakes being viewed as development opportunities, and management's willingness to co-own the fall-out of employees' decisions. However, excessive tolerance of mistakes resulted in blame shifting from employees to managers or organisational systems.

Figure 7.2 illustrates the findings as described in part 1. Employees who work in high stress environments such as the cash generating units of Fonterra is expected to consider the personal risk to engage in the use of discretion too high. However, the data showed that they generally felt safe to take the risk, due to the prevalent management style, which is characterised by managers' empowering behaviour, based on organisational values that encourages employees to take balanced risks.

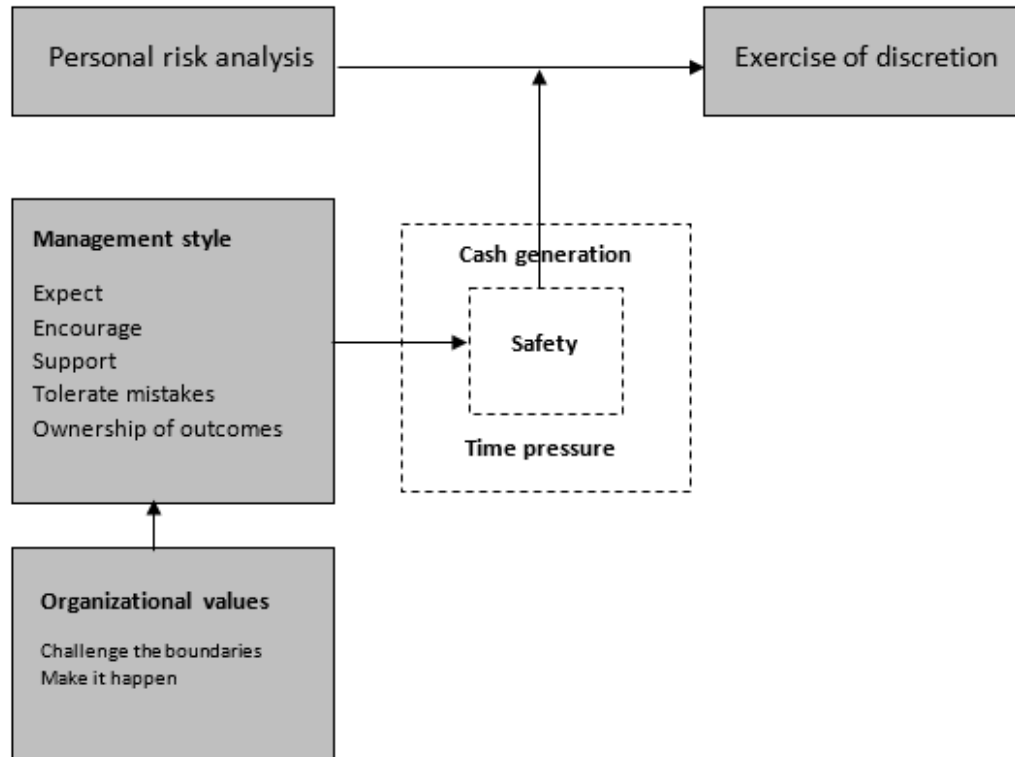


Figure 7-2 Management style conducive to discretionary decision making

Although participants reported that their managers encouraged their use of discretion, there were a number of factors that hindered their use of discretion. The second part of this chapter focuses on these factors, which showed a marked relation to MacIntyre's distinction of 'goods' associated with internal and *external practices*.

7.3 Part 2: Factors that restrict the use of discretion

Employee attitudes toward the factors that inhibited the use of discretion varied. Employees were more accepting of restrictions associated with the *internal practices* of the organisation. *Internal practices* according to MacIntyre (2007) are those practices directly associated with a product or service that contributes to the good of mankind. Fonterra's *internal practice* is the manufacturing of dairy products for *safe* human consumption across the world. Participants accepted the necessity of curbing discretionary privileges that promoted product and workplace safety. On the other hand, they were less accepting of restrictions on their discretion if the actions were associated with *external organisational practices*.

Institutions or organisations exist to support the pursuit of *internal practices*. Activities in Fonterra that are associated with the processing and manufacturing of dairy products and the various activities that ensure the existence of Fonterra as an organisation would, according to MacIntyre be *external practices*. Interestingly, participants experienced inhibiting factors associated with Fonterra's pursuit of external goods (*external practices*) negatively. They expressed frustration with organisational growth and change that impacted their personal ability to use discretion. Findings on the factors associated with *internal practices* are presented next, followed by a discussion of factors associated with *external practices*.

7.3.1 Inhibiting factors associated with *internal practices*

The findings showed that employees understood the need for Fonterra to adhere to national and international product specifications. They agreed that products should only leave Fonterra sites if it was in keeping with safety parameters, and therefore they accepted stringent regulations that promoted product safety, but inhibited their use of discretion. The tightening of regulations was furthermore seen to be a result of Fonterra's previous safety breaches. Subsequent bureaucracy associated with the implementation of additional rules and regulations was therefore tolerated. Higgins (2010) indeed explains that employees would be willing to make their own purposes subordinate to the purpose of the organisation's *internal practice* if they considered work methods to be appropriate. In other words, boundaries and rules that promote the *internal practice* would be accepted even if personal discretion thereby needed to be sacrificed.

7.3.1.1 Product Safety

In chapter 4 the crucial need for accountability by companies operating in the international food market was discussed. It was pointed out that Fonterra navigated a labyrinth of local, regional, and international rules and regulations for food production and sales. The end users of Fonterra's products are located worldwide and different countries all have safety thresholds to be met. K7 a tactical people manager, explained:

“There is a safe limit; in conjunction with production we do a trace back exercise to make sure that we have captured all units,

and then wait for test results to make sure it reaches the safe limit. If not, we have to put more units on hold, or do more testing. So it is regulatory and in conjunction with production that these decisions are made”

As a significant player in the dairy market, employees recognised Fonterra’s need to be prescriptive in the way business was conducted. This ensured that the Fonterra brand would be protected in the event of a failure. Fonterra had to make sure that it could justify its actions on an international stage. Tactical people manager W4 elaborated:

“Fonterra is a multi-billion-dollar company that is operating in the food industry. The perception risk is massive and the potential financial risk is huge as well. I would do what Fonterra does: try to be really specific and provide rules for employees so that even if the worse does happen, that at least Fonterra can say it was an employee who broke a rule, it wasn’t the company that sanctioned this” W4 (TPMG)

An operational manager at Whareroa explained:

“Your tasks are only 50% of what you need to do. The other 50% is verifying that the product you make meets customer specifications. So in terms of what the customer wants, or what NPI [National Pollutant Industry] want: they want great records, they want traceability, and they want everything accounted for” (W8)

These examples illustrated the understanding of participants: that product safety overruled the exercise of personal discretion. They preferred to be meticulous in ensuring that products met the required safety standards.

The suspected contamination of three batches of whey protein concentrate (WPC80) with *clostridium botulinum* at the end of 2013 (see chapter 4 for more details) brought Fonterra very close to a violation of their *internal practice* (providing safe dairy products for human consumption). Although it was later determined that the product was in fact safe, the potential threat to the health and lives of people was

witnessed by employees. In their minds the subsequent tightening of regulations was therefore justified. On a senior management level E1 explained that the botulism incident resulted in a necessary tightening of regulation and standards, but that this was made easier through the Fonterra values that put safety above productivity:

“I think we have played a bit fast and loose with some of the things that should have been set in concrete. We now have a nice balance where we can hit the business objective but also tick the boxes in terms of legal compliance, and not put ourselves at risk in terms of injuring people and making people sick with our food. What makes it easy is the Fonterra values: always putting our safety values above productivity”

On tactical management level, W3 confirmed that an increase in compliance requirements was felt since the botulism scare, but that on the other hand, the requirements have always been there, so that now the Fonterra products were “*more specific to ensure that we are looking at all the risks and the possibility of contaminating food*”. K5 was not at all concerned about more systems being introduced to guarantee food safety:

“A trigger point gets attention and action. I suppose like the WPC80 incident. A lot of resource is thrown at it...All the systems they put into place are about food safety; I am not concerned with that at all” (K5)

K4 similarly explained that bureaucracy increased markedly whenever a safety breach occurred, and argued that regulation prevent scandals and also secure a safer workplace and should therefore be embraced:

“We need to meet the standards of those various regulators...we produce pharmaceutical excipient, a carrier material in inhalation products”

“There have been scandals over here because there has not been enough regulation, so I can understand that with regulation came

bureaucracy and reports to justify everything. But also, it potentially becomes a safer work place, and a safer market” (K4)

W9, an operational manager added:

“A lot of change happened this last season, and a lot of it had to do with the Botulism scare, e.g. new cleaning regimes, formalising and auditing...it opened our eyes to what can go wrong so quickly. When you see it on TV, and what it does around the world... I think a lot of people just accept the extra work. What we are trying as a company, as a department, and as a team, is to never ever have that type of thing happen here....and what we are doing now, is introducing all these different procedures and systems”

Operational staff on the shop floor also expressed their support for the tighter regulations. K13 for example stated

“It was actually good to have the [botulism] scare, because they have tightened up, they have put in a whole layer of extra things, but some of it was needed, absolutely”

The botulism scare highlighted to employees the far reaching impact that Fonterra’s actions had on local and international level. Media coverage and the realisation of the potential harm to vulnerable populations created a positive predisposition in employees. If anything, the botulism scare resulted in a more tolerant attitude in employees toward increased workplace health and safety regulation.

Participants demonstrated a real concern for the effect that Fonterra products could have on the health and well-being of consumers. However, they also felt responsible for the health and safety of their co-workers and similarly accepted the constraints imposed by regulation that restricted their use of discretion.

7.3.1.2 Workplace safety

In Fonterra, increased workplace safety regulations restricted the use of personal discretion in task execution. Instead employees were expected to adhere strictly to safety regulations. Participants across all organisational levels regularly referred to

health and safety in conversations about discretionary decision making. They described an environment where health and safety was increasingly emphasised in comparison with earlier years. Participants K2 (TSMG), W8 (OMG) and W10 (OS) all agreed that the work place was much safer now compared to the time they set out on their careers with Fonterra. The significance of health and safety in work practices were acknowledged and supported in line with an organisational mantra of making sure that “everyone goes home safe”. W8 for example explained:

“Years ago it was about manufacturing. Making milk powder, time is money. So you did whatever you could, if it cost you your life almost, you did it; because time was money. Now it is not, it has changed to ‘everyone wants to go home safe’ now”

When asked about factors that affected discretionary decision making, W3 (TSMG) responded as follows:

“The food safety changes are a big one for us. The fact that we are in food processing with Fonterra is a big change for us. And health and safety: making sure that we send people home safely every day is a big emphasis related to the fear of the consequences of an accident. There has been an increased focus on health and safety”

K11 similarly declared:

“Health and safety is the biggest thing that has changed in the company over the period that I have been here anyway. There has been a lot of resistance but for most people who have been with Fonterra for a little while it will be a normal way of life. Everybody just abides by it now”

Although participants appreciated the Fonterra value of “safety over productivity” E2 (TPMG); and also understood that New Zealanders with their “*get out there and do it*” attitude needed to be reminded of safety W10(OS), there were those who believed the focus on health and safety had gone too far, as expressed by W3(TPMG) and K3(TSMG):

“You hear quite a few people saying that the health and safety systems are just over the top now, and the responsibility of the individual is gone ... In some ways we just have too many signs around about health and safety. Maybe we should just take all the signs down and let the people find their own safety level” W3 (TPMG)

“To some extent I think we are over bureaucratic, and we don’t actually hold individuals responsible for their own safety adequately. If we had an accident we think there must be something wrong with the system, rather than the individual has done something silly. Quite often it is a behavioural thing where someone just does something they shouldn’t do” W3 (TPMG)

“That is quite common, an opinion that health and safety goes one step too far. I think that we definitely did – we went from bad to over-kill and now we are just starting to pull back slightly you know, but we do not want to pull back so that we are back to where we started or we have become complacent” K3(TSMG)

Participants recognised that national and international regulation in terms of product and workplace safety inhibited their use of discretion. However, the majority understood the need for regulation and appreciated the increased emphasis on workplace safety, which ensured that all employees would go home safely at the end of a day’s work. They therefore accepted these restrictions on their use of personal discretion. On the other hand, some participants noted that health and safety regulation might be going too far; stripping the individual from personal responsibility for their own health and safety.

While participants understood and supported increased regulation to ensure food and workplace safety, they expressed frustration with organisational systems and procedures which were associated with *external practices*. The next statement by K5, a tactical manager from Kapuni, illustrated these opposing viewpoints:

“I am not concerned with the systems they put in place for food safety. For me it is about the micro management of people these

days...not in terms of food safety but in terms of our own systems, and of us. We are becoming more and more like parrots; getting less and less decision making about what we do and how we do it”

K5 voiced support of the systems that were necessary to ensure safety, but at the same time expressed dissatisfaction with “our own systems, and us” in other words, Fonterra’s systems and management practices as a business organisation.

In order to maintain business practices and structures, organisations acquire and distribute money and other material goods, and are structured in terms of power and status (Kavanagh, 2012). These activities (*external practices*) are, according to MacIntyre, the means by which *internal practices* are pursued and are not ends in itself. The next section examines more closely how participants experienced the effects of restrictive factors associated with the institution itself (*external practices*) on their use of discretion.

7.3.2 Inhibiting factors associated with *external practices*

In the first part of this chapter findings were presented showing that participants considered restrictions to their use of discretion acceptable if it meant that their primary work (dairy manufacturing), and the *internal good* that was generated through these activities, benefitted from the restrictions. The next part of the chapter shows that they were less accepting of restrictions that were introduced to pursue the *external good*. These external objectives were increased competitiveness through organisational growth and change, and the measurement of organisational effectiveness through key performance indicators.

The *internal practice* of an organisation cannot survive without *external practices* (the institution itself). However, when the pursuit of goods offered through *external practices* such as money, power, and fame (MacIntyre) is overemphasised, the organisation’s *internal practice* can be corrupted. The aim of Fonterra as an institution is to sustain the *internal practice* of dairy manufacturing, but to achieve this it also has to sustain itself as an entity (*external practices*). Participants in this study seemed to experience *external practices* as a distraction from their primary work activities, as evidenced from their reports about organisational growth and

change. They distinguished between activities associated with the manufacturing of dairy products (*internal practice*) and activities secondary to this, yet primary to the survival of Fonterra as a business. Participants painted a picture of organisational growth and change over the past decade that resulted in a workplace that was very different from the one they joined initially. Their accounts reflected underlying discontent with the increased emphasis placed on institutional practices in the interest of the external good.

To place participants' accounts into perspective, it is necessary to consider their tenure with the organisation (illustrated in figure 7.3). Ninety percent of all research participants provided information of their tenure with Fonterra.

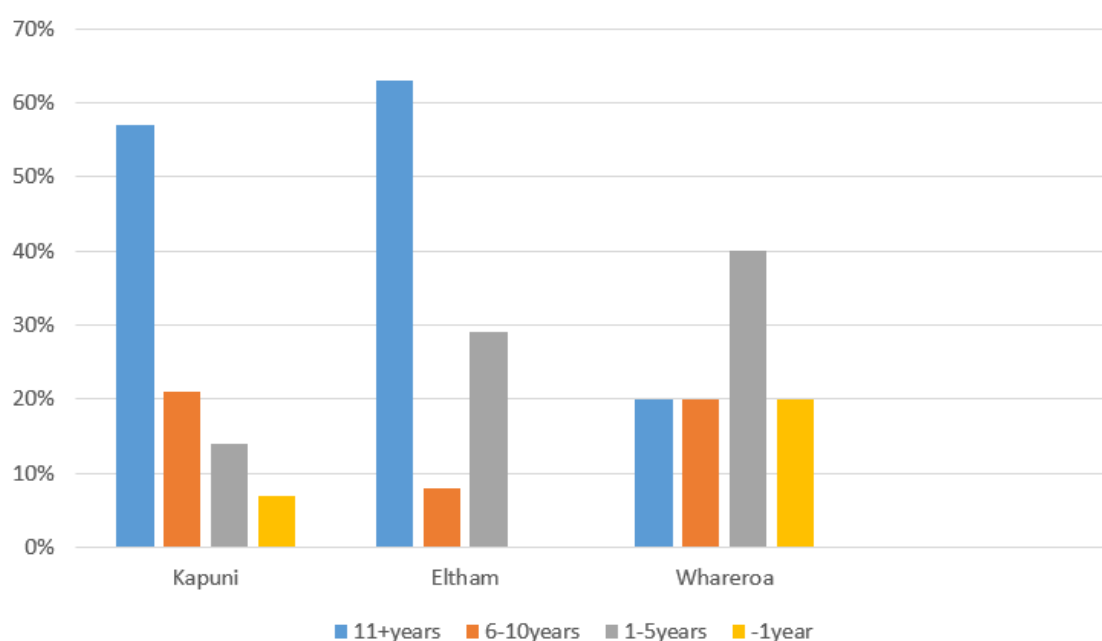


Figure 7-3 Employee tenure per site

Altogether seventy-eight percent of the participants on the Kapuni site had more than 6 years' tenure; 57% of them 11 years or longer. At Eltham, 71% of participants had tenure of more than 6 years, 63% of them 11 years or longer. The picture is slightly different for Whareroa, where 40% of the participants had tenure of 6 years or longer, but only 20% longer than 11 years. These figures are important to keep in mind when participants' accounts of organisational change are presented.

7.3.2.1 Organisational change

Organisational change is associated with Fonterra's external practices. The co-operative went through a series of mergers to grow the organisation for the purpose of increased effectiveness and efficiency (see "The founding of Fonterra" in chapter 4), which are, according to MacIntyre, the measures of external practices. Rich data was collected about participant's experience of ongoing change in the organisation. They mostly reported dissatisfaction with the effects of these changes, including the impact it had on their use of discretion. Although the final merger between New Zealand's two largest dairy companies took place in June 2001, participants in this study still dwelled on how the workplace was a lot different from what it used to be. E6 an operational manager declared:

"It is a totally different place, and it changed not only decision making, but it changed a lot of things. Yes, it is a different place now...still making cheese but a different place now"

At the time of the research, it had only been two years since the Eltham site merged with Fonterra. E16 (TPMG) aptly summarised it as follows:

"This site here [Collingwood street, Eltham] was NZ dairy board owned, and owned by a private company, Pastoral foods. Then it was purchased by Mainland, and it was with Mainland about 7 or 8 years. Then Mainland was purchased by Fonterra about 2005, and that was fine. So we were still operating within the Mainland thing, but Fonterra was sitting over the top. Then about 2010, 2011, Mainland got pulled out, and so we were then straight into the Fonterra structure. Before we had the sort of Mainland umbrella there, but 2 years ago we started reporting directly into the manufacturing arms of Fonterra. Prior to that we were reporting not to Fonterra, but we were treated as being different".

Employees with 10 years' tenure would thus have experienced major transitions from being managed by Pastoral foods, then by Mainland, and eventually by Fonterra who took over two years prior to the interviews. This meant that over 60%

of the Eltham participants lived through both changes, and almost 75% of them experienced the more recent change from Mainland to Fonterra.

The Kapuni site was run by the New Zealand Dairy Board since the 1950s, and merged with Fonterra in 2001. However, this was the only site in New Zealand that was capable of manufacturing pharmaceutical grade lactose, and made it difficult to decide where the site fit within the wider Fonterra framework. It therefore shifted between different divisions which necessitated management changes, resulting in employee uncertainty about the use of discretion. K14 (TSMG) explained how the site used to be independent, which left employees with more freedom to make decisions:

“When I first started here, at this site, Fonterra was not in existence, so this site was very independent from the rest of the dairy sites. This site had its own executive board that resided on this physical site, so all the decisions were made here rather than going up the ladder, so to speak (K14) TSMG

Participants at Eltham explained that continual change had a marked effect on their decision making. E16 (TPMG) for example declared:

“The change of ownership [Pastoral – Mainland – Fonterra] directly influenced our decision making and had a significant impact on what it used to be

Kapuni employees similarly described how the site changed from an independent site to being a small part of the big machinery of Fonterra, a change that they did not necessarily welcome. K11 (OMG) stated:

“Things are changing – I have only been in the company 10 years, and I have seen quite significant changes in that period of time; some of it good, some bad. There are lots of different things happening...”

Employees also commented on technological and process changes, as illustrated by the next comment of a Whareroa employee:

W8 (OMG): “Now obviously, the business has changed, where we got to the point where you push a couple of buttons, and something starts up in the background. It’s a huge process. It is massive, a lot of money”

The above comments illustrate the volatile environment which employees have been exposed to over the last decade and in particular, over the two years prior to the research study. Participants at Kapuni and Eltham still did not see themselves as truly part of Fonterra. Instead Fonterra was seen as an external entity that broke up teams, took facilities and people away, caused a loss of site identity; and restricted their ability to use discretion in their decision making:

“They broke us up ... Fonterra just came and took us over – they just about took everything away...the team was disestablished...”

K8 (TSMG)

“...now we are part of that Fonterra machine, totally engrained. A lot of the decisions have been moved off site”

E16 (TPMG)

As Fonterra took over, employees noticed new reporting lines that stretched beyond their own sites. Where decisions used to be made on a local level, it now shifted to regional and national levels, which resulted in confusion (E19 TSMG; E16 TPMG). K5 (TSMG) declared that these changes significantly impacted on their ability to make decisions:

“We have less local leeway and more national prescriptions. Too many ‘chiefs’ to report to; we are getting less and less decision making about what we do and how we do it on a local level, it’s becoming more national level”

Others also noticed a definite change in terms of decision making. Where they used to have local leeway they now had to adhere to centralised regulation, reducing their ability to influence decisions. One of the concerns they voiced was that site specific decisions were subject to approval by managers who were not physically present or familiar with the intricacies of the sites (E25 OMG; W10 OS). There was concern

that disassociation formed between top management and employees, which resulted in increased regulation (and reduced discretion) due to senior management's misinterpretation of shop floor practices and needs:

“It is just the pure size of Fonterra you know; a lack of faith, and the wrong people in the wrong roles. People at the top looking at numbers down the bottom when they do not really understand the business and the way it works” E3 (TPMG)

Besides some managers' unfamiliarity with the sites, participants also explained that both Eltham and Kapuni seemed to be used as training ground for managers. The result was short management tenure that had a subsequent effect on the use of discretion. They explained that a regular turnover of managers prevented them to attain the level of managerial trust that was needed for them to use their discretion (E25 OMG; E15 TSMG; K13 OS). E1 pointedly declared:

“You don't get the chance to build up those credits for delivering on what you said you were going to deliver” E1 (TPMG)

Participants at both the Kapuni and Eltham sites reported significant changes since Fonterra took over, in particular over the past two years, and lamented the loss of the uniqueness of their sites. Decisions that were previously made on site for instance, now had to be escalated beyond the site to invisible authorities.

By virtue of the organisational changes, participants became part of a much larger organisation. The sheer size of Fonterra was seen as an important inhibitor of their use of individual discretion. They commented on increased regulation, approval processes and administration as the source of much of their frustration when it came to decision making. The impact of business size on their use of discretion is discussed next.

7.3.2.2 Business size

Participants often commented on how the size of the organisation frustrated their use of discretion. Some did not consider Fonterra to be any different from other large organisations, and therefore argued that frustrations associated with big ventures were to be expected:

“What happens here is similar to other big companies. Although procedures for approval are cumbersome, it is not uncommon in large organisations. I was in a different industry where there was a lot less money than in this industry, and the same frustrations were in that industry, not in greater extent, just very similar”
W4 (TPMG)

E19 similarly explained that standardisation and the use of regulation served the purpose of ensuring consistency in large organisations such as Fonterra:

“Because we are part of a wider group, they want that whole wider group to be consistent. They want consistency on how things are done. They want consistency so that when they say something, everyone has the same meaning. So that is what we are seeing” E19 (TSMG)

However, discontentment was expressed regularly:

“It is horrible at the moment...this used to be a company that was not corporate based” (E16)

“Sometimes you can’t know some things exactly. The Company is too big; it is a problem” (K5)

“Before you could influence things very quickly and change things, but as we became part of the bigger Fonterra, it became more difficult to influence that” E16 (TPMG)

7.3.2.3 Increased regulation

Employees expected bigger organisations to be more regulated, but they complained that their decision making became increasingly limited as the organisation expanded, and that rules became too rigid. E9 for example stated *“there is no give”* and W4 (TPMG) reported *“things have just tightened up a lot more”*. W3 (TPMG) explained:

“There are just oodles and oodles of rules, standards to the point you can’t keep up with it all. I feel in these later stages of my career that there is just so much to know, that as an older person

I just don't have the brain capacity to deal with that. I just run out of brain power to remember all the rules there are"

W4(TPMG) explained that routine tasks tended to get more regulated:

"I have seen with the routine day in day out stuff – they have become more regimented; rules and procedures have to be applied. For those things you have less discretion in terms of how you approach things. You have to do x,y,z; and woe betide if you don't"

Policies have multiplied to a point where very little decision making was required from employees. For everything there were rules, and employees were expected to keep to those rules in performing their tasks:

"There is generally a policy for everything. It's a matter of finding what that policy is" W7 (TPMG)

"We are guided by procedures, so our decision making is very limited in a way. For everything there is a procedure. So you do it according to that procedure" E11 (OMG)

Some participants expressed stronger feelings about the impact of regulation on their own discretion:

"I used to have judgement and the ability to make those calls, based on the principles I know. But now I no longer have that ability to make those judgements based on principles. I have rules that I have to follow, and I cannot deviate from them" E20 (TSMG)

"I feel that 30% of my stuff has been stripped off me, and they have jumped in and started making decisions for you again, so for me it is very frustrating ... It feels like you got people looking down at you saying "no, do it this way" or jumping on board from god knows where, and telling me what to do" E9 (TPMG)

E6 (OMG) complained that the regulations were “*a bit over the top*”. Although regulation was necessary, it could go too far, so that the reasoning behind the rules became inexplicable. E6 explained that this was the case with the new health and safety policy that required managers to personally accompany sick or injured employees to accident and emergency clinics for medical treatment. Employees found it difficult to understand how spending hours at a clinic was a good use of their time when their attention was needed for so many other reasons on site.

New processes were introduced, in particular an altered recruitment process which caused much frustration. Literacy and numeracy requirements for operational staff were introduced, which meant that trusted candidates with extended experience in the dairy production environment could no longer be considered for vacant positions “*...leaving us to struggle for the next year trying to recruit people when I have experienced people sitting out there with no jobs*” (E9).

7.3.2.4 Approval processes

Participants complained that bureaucracy increased along with organisational standardisation practices, and limited their opportunities to exercise discretion. They explained that their autonomy was hampered by tedious approval processes that they lately needed to follow. W9, an operations manager stated:

“You see a lot of changes happening. More complicated systems, formalising processes and so on, it takes us away from the running of the plant I think; it takes us away from more plant-focused stuff”

Participants were also frustrated by the requirement to escalate decisions which they felt they could have made themselves. E3 (TPMG) attempted to understand the logic behind escalating decisions:

“I can see both sides of the fence, I can, but the red tape at the moment, and having to escalate things, it’s a frustration for me. At the end of the day I became a manager to be able to make decisions myself and I should not have to escalate things”

“Everything in Fonterra has to get signed off; just about by God ... You hear the words: ‘it is better to seek forgiveness than to ask permission’. You do something, and if someone says ‘you shouldn’t have done that’, you say ‘sorry about that’
E3 (TPMG)

E16 (TPMG) similarly stated:

“These days you are seeking approval about three flights up, and two flights across in different buildings. It is just horrible”.

K5 (TSMG) explained that the approval process tightened after the botulism scare:

“Prior to the enquiry I could personally submit a form and say yes, as long as there was a resource in the lab. Now I have to submit two sets of forms: one for the lab testing, another to an independent system, which then gets approved prior to getting tests done. It could take you a week, two weeks to get this thing actually approved. By which time things either got worse or have gone away”

E3 feels exasperated by the involvement of others in their decision making. This participant enjoyed the work, but thought that Fonterra staff who was physically absent from the site did not understand their work environment and consequently exerted unnecessary pressure, preventing them from making sufficient progress in daily tasks:

“It just seems like you get caught up in the day to day firefighting asking for permission, seems like you are never tracking forward. I love my job, dealing with what is happening on the floor. But it is the external staff, other people wanting this and wanting that; not understanding how I spend my day and what my priorities are for the day”

E9 expressed a similar frustration. It was not as much the exercise of decisions central to the production process that were inhibited, but rather those associated with non-technical matters such as staffing decisions:

“Some process came in around escalations. It’s not the everyday production stuff that they want to become involved in, but take for example the escalations of hiring people, they can take up to a month to come back down. To me this is holding up the process around decision making because I have decided that anyway, so why am I waiting for you to sign it off?”

7.3.3 Summary: Part 2

Restrictive factors associated with the external practices of Fonterra (organisational growth and change) were experienced less positively by participants than restrictive factors associated with the internal practices of the organisation (product safety and workplace safety). Most of the participants, especially those from the Kapuni and Eltham sites, enjoyed employment tenure with Fonterra that spanned more than a decade. They experienced a number of transitions which they reported significantly impacted their use of discretion.

Their ability to use discretion was furthermore restricted as a result of organisational growth. As the organisation expanded, workplace practices were increasingly standardised to ensure consistency across sites. Where they were able to make decisions on-site before, they were now subjected to approval processes, and the final decisions often rested with managers whom they felt were lacking the necessary site specific knowledge. Figure 7.4 illustrates how the pursuit of internal and external good both restricted the use of discretion, but differed in the way employees experienced it.

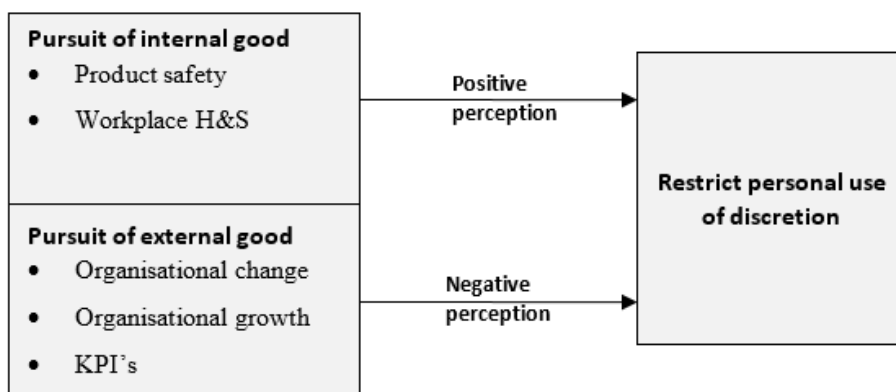


Figure 7-4 Employees’ experiences of factors restrictive to discretion

7.4 Conclusion

Chapter seven looked at the factors that participants considered to be conducive and restrictive to their use of personal discretion, illustrated in figure 7.5. Participants reported that they were willing to use discretion due to the way they were managed. They felt empowered and believed that their contributions were valued. They felt safe to take risks in decision making because their managers encouraged them to do so, were willing to tolerate mistakes, and to collectively own unfavourable decision outcomes.

On the other hand, health and safety regulations, organisational change, and organisational growth complicated their use of discretion. It transpired that participants found compliance to product safety and workplace health and safety acceptable, even if it meant that their personal discretion was curbed as a result. They embraced these restrictions to their decision making because they understood that the health and well-being of both their immediate community (themselves as well as Fonterra co-workers) and the larger community (end users of Fonterra products) would benefit by it. In contrast, they were frustrated with restrictions of their discretion resulting from initiatives to grow and advance Fonterra as a competitive organisation.

In chapters 5, 6, and 7 data was presented to answer the three research questions:

How do employees on different organisational levels exercise discretion?

How do values impact on the use of discretion? and

What factors contribute to or inhibit the use of discretion?

In chapter 8 these findings will be integrated with relevant literature to produce a theoretical framework that depicts how employees use their discretion in a contemporary New Zealand organisation.

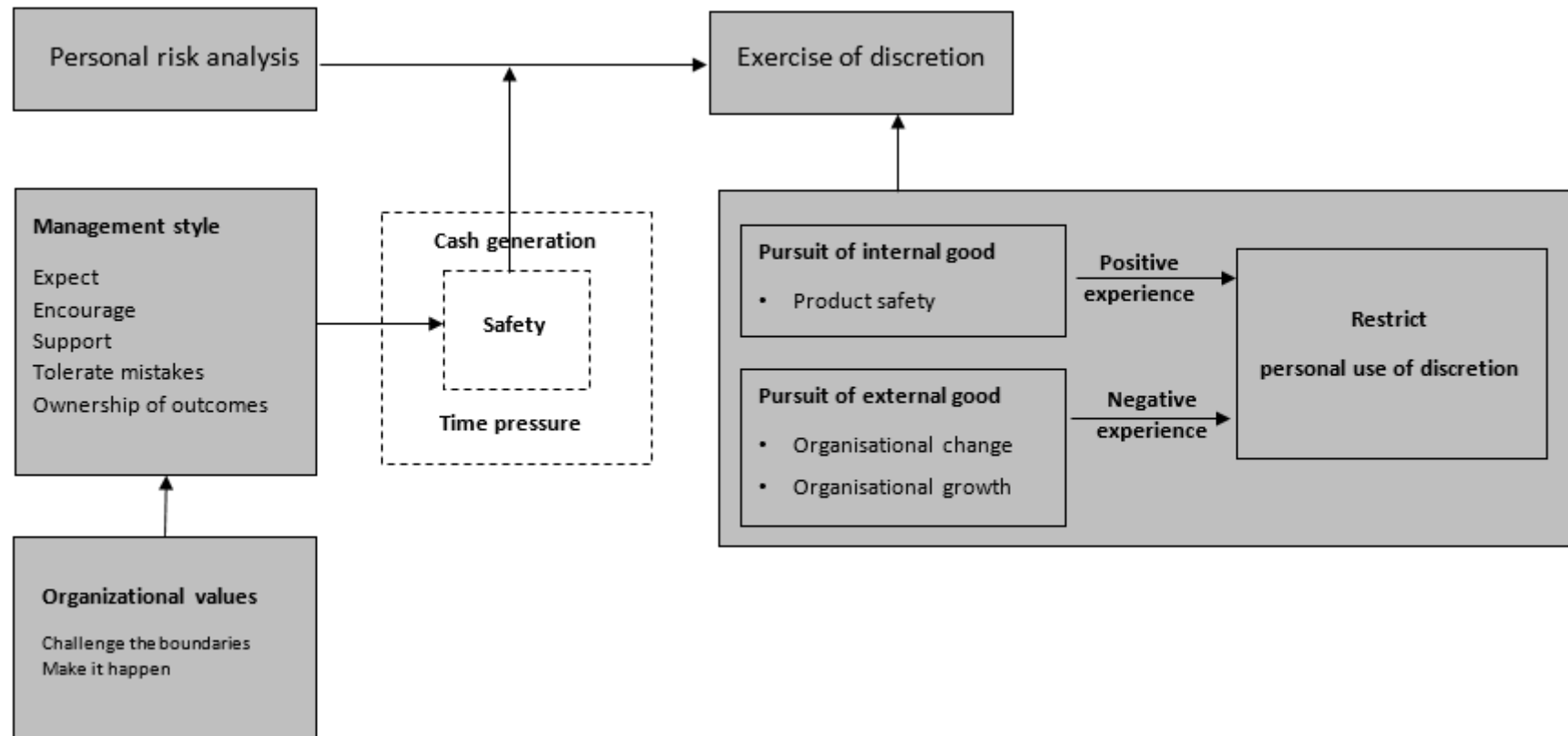


Figure 7-5 Factors considered either conducive or restrictive to the use of discretion

Chapter 8: Discussion and proposed framework

8.1 Introduction

The purpose of this research study was to understand how employees in contemporary workplaces used discretion in their decision making. Importantly, the study was designed to help close the gap between discretion and morality (Arnaud & Wasieleski, 2014) by examining it as part of the *ethical decision making process*, and extending the enquiry to lower organisational levels. By including lower level employees, discretionary decisions that were not exercised as part of the leeway *assigned* to employees by virtue of their positions, could also be examined. The study found that a significant number of discretionary decisions were ethical by nature, due to decision makers' reliance on personal values to exercise choice. MacIntyre's approach to morality in society provided a useful vantage point to understand how discretionary decisions contributed to moral organisations. Employees' concepts of the organisation's contribution to the *telos* (ultimate end) had a significant impact on the way they experienced factors that inhibited their use of discretion.

The three preceding chapters provided insight into the lived experiences of Fonterra employees. The researcher endeavoured to give an account of how workplace discretion *appeared* to the participants, which is the aim of a phenomenological research approach (Guest et al., 2012; Kelly, 2008). The next task of the phenomenologist is to provide *a new level of meaning* to the research area (Moustakas, 1994). In this case, new insights about the exercise of discretion in the contemporary New Zealand work environment stemming from the Fonterra case study.

8.2 Overview of proposed model

The ultimate objective of Chapter 8 is to provide an answer to the overarching research question: "*How do employees use discretion in the workplace?*" The answer to this question is presented in a proposed model and a detailed discussion

of the main themes that emerged from the research findings, in pursuit of answers to the three sub-questions:

1. *How do employees on different organisational levels exercise discretion?*
2. *How do values impact the use of discretion?*
3. *What factors contribute to and inhibit the use of discretion?*

The proposed model (Figure 8.1) is a maturation of the theoretical model presented in chapter two. Three important areas of development in the model form the cornerstones of the current discussion. First the types of discretionary choices made by employees on different organisational levels; second the way in which both personal and organisational values impacted discretionary decisions; and third the way in which they experienced various factors that impacted on their discretion in the workplace.

In part one of this chapter, the experiences of employees on three organisational levels, including the lower organisational levels are explained. Their decisions are analysed by using Caza's task/relational dimension, and the *intrinsic/extrinsic* dimension that emerged from the study. As illustrated in figure 8.1, the issue type (see section D in figure 8.1) impacted on employees' use of *intrinsic* and *extrinsic* discretion (see section A in figure 8.1). Decisions were often guided by prescribed regulation. These were mostly task related decisions occurring on the extrinsic end of the discretionary continuum. Other times less guidance was provided through regulation, and decision makers relied on personal values to choose a course of action, which then occurred on the intrinsic end of the discretionary continuum. Regularly, these were relational decisions.

Part two is devoted to a discussion of the impact of personal and organisational values on the use of discretion (section B in figure 8.1). The study revealed that participants held strong social terminal values and that they adopted the organisational values as a set of surrogate values to provide common ground for their decisions. Interestingly the discretionary decision making process emerged as an interactive progression between individual and collaborative decision making (section C in figure 8.1). Seven alternative routes through the discretionary decision

making process is illustrated in the model. The deliberation stage is emphasised, since this is where *ethical decision making* and discretion intersected. The model illustrates how organisational regulation underpinned decisions located to the extrinsic end of the continuum. As decisions moved along the continuum to the intrinsic end, participants increasingly relied on internal values.

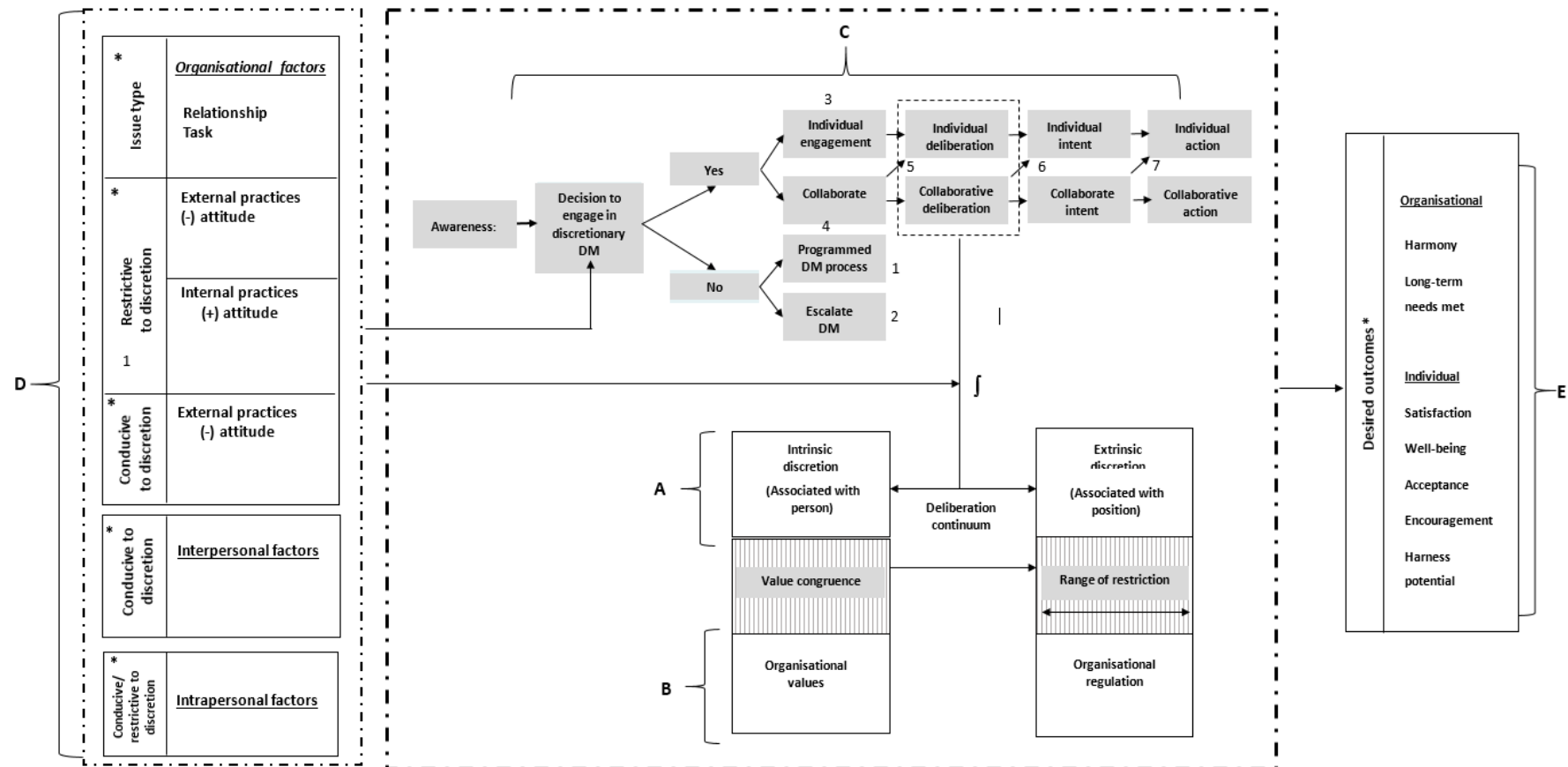
The social nuances of the discretionary decision process resonated with Fonterra employees' social terminal values and MacIntyre's call for 'community' to build moral societies. However, an anomaly was detected in that the core Fonterra value: *co-operative spirit* was not cited as regularly as expected, given the significance that participants attached to terminal social values and their use of collaborative discretion as evidenced in the data.

In part three the attention shifts to the factors that contributed to or inhibited employees' use of discretion. As illustrated in the model, organisational, interpersonal, as well as intrapersonal factors impacted on employees' *decisions to engage* in the discretionary decision making process in the first place (section D in figure 8.1). The findings furthermore showed that factors associated with the organisation's *internal* and *external* practices (as theorised by MacIntyre) mostly *inhibited* employees' use of discretion. However, employees experienced these inhibitors differently. If the inhibitors were associated with the organisation's *internal practices*, employees experienced it positively. On the other hand, when the inhibitors were associated with the organisation's *external practices*, employees were more *negative* about being inhibited to use their discretion. *Contributors* to the use of discretion were organisational, interpersonal, and intrapersonal factors. An *organisational* contributor was the sense of urgency associated with the strategic position of the research sites in Fonterra. These sites were cash generators and employees were under pressure to make discretionary decisions. Again, they experienced this leeway more negatively. *Management style* was an *interpersonal* contributor to the use of discretion. Employees experienced leeway associated with management style *positively*.

Some *intrapersonal* factors such as confidence, physical well-being and individual characteristics also impacted the use of discretion. Importantly, employees'

willingness to accept personal responsibility for their actions impacted on the leeway they were entrusted with. A sequential relationship between personal responsibility, perceived system failure, regulation, and discretion emerged from the data. It showed that the leeway that decision makers are allowed depended on their willingness to accept responsibility for decision outcomes.

The data yielded some outcomes that participants *hoped* to achieve when they engaged in discretionary decision making (section E in figure 8.1). These are illustrated to the right of the model, and include organisational outcomes as well as individual outcomes. In keeping with high social terminal values, participants were for example willing to engage in discretion for the benefit of workplace harmony. Personally, they desired to gain acceptance, and engaged in discretionary decision making to contribute to job satisfaction for themselves and others; to encourage others; and to harness employee potential. After the presentation of the model, the research findings will be discussed in detail.



* As evidenced in data

⌋ Curser moving between intrinsic and extrinsic discretion

Figure 8-1 Proposed model of discretionary decision making in Fonterra

8.3 Part 1: The discretionary decision making process as experienced by Fonterra employees

Finkelstein and Peteraf (2007) assert that organisation theory (despite its long tradition in discretionary research) is concerned with executive decision making and corporate control and regulation. A key contribution of the current research is that notable discretionary activity can also occur on lower organisational levels, and is not only about control and regulation, but also about the use of values in decision making. This became apparent when discretion was viewed from the vantage point of the person rather than the position. Leeway is not granted in significant measures to those on lower organisational levels. Therefore, when discretion is viewed from an *extrinsic* point only, the *intrinsic discretion* exercised on lower levels is overlooked.

To assist with the investigation of discretionary decisions, examples shared by participants were analysed along the task/relation continuum of Caza's (2012) circumplex. It became clear that the discretionary decisions that were *extrinsic* by nature were mostly located in the task dimensions of Caza's circumplex (e.g. goal discretion, technical discretion, and staffing discretion). *Intrinsic* discretion was often used in decisions located in the relational dimensions of the circumplex (e.g. supervisory support, general support, and interpersonal style decisions). These decision situations were less regulated and required decision makers to use internal values in making judgements.

The findings of this study suggest that employees on lower organisational levels regularly exercised *intrinsic* discretion. This finding is important for two reasons. First, because the traditional focus on *extrinsic* discretion skewed organisational research in discretionary decision making to the upper echelons of organisations, and second, because intrinsic discretion is values based and therefore has an ethical component. *Intrinsic* discretion was strongly associated with the way individuals related to others in the work environment. Participants revealed that they chose whether and to what extent they provided support and encouragement to their co-workers; and the interpersonal style they used in their relationship with others.

Although relational behaviour is partly regulated by organisational policies (for example bullying and harassment) it is not possible to fully regulate the level of courtesy, kindness, and tolerance co-workers extend to each other. These behaviours are dependent on the internal values held by the individual.

The relationship between task/relationship and *intrinsic/extrinsic* discretion will be discussed by looking at three examples. The first relates to the technical method domain (located in the task dimension of Caza's circumplex). The second example was interesting since it did not obviously fit within any of the eight domains identified by Caza, and particularly illustrated the benefit of an *intrinsic/extrinsic* classification of discretionary decisions. The third relates to the supervisory support domain (located in the relational dimension of Caza's circumplex). Although supervisory support decisions are exercised on higher organisational levels, it is included here because is a good example of the difference between intrinsic and extrinsic discretion. In the proposed model (figure 8.1) it is illustrated how 'issue type' (section D) impacts on the *intrinsic/extrinsic* continuum of discretion (section A). As the issue types vary, the curser (J) moves between the two ends of the continuum.

Figure 8.2 illustrates how the dimension of intrinsic an extrinsic discretion extends Caza's (2012) circumplex of discretion. The inner circle of the diagram represents the *intrinsic* nature of discretion, while the outer circle represents the *extrinsic* nature of discretion. The figure shows how the three examples fit into an extended circumplex that allows for the use of *intrinsic* and *extrinsic* discretion.

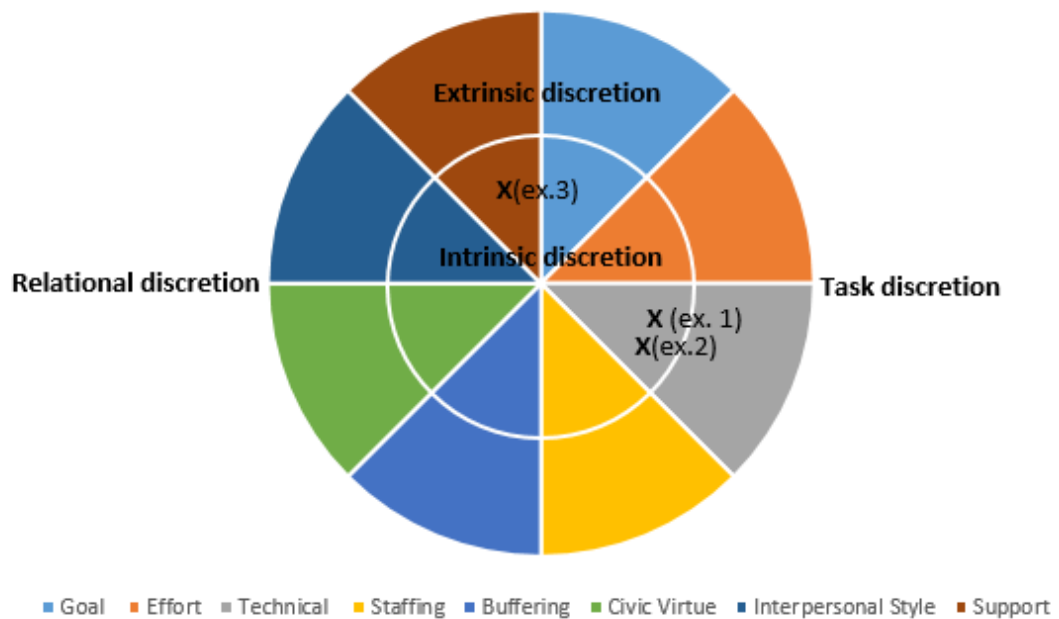


Figure 8-2 Intrinsic and extrinsic discretion as illustrated in terms of Caza's domains of discretion

8.3.1 Example 1: Technical methods discretion

In various instances (on upper and lower organisational levels) technical decisions were made by employees who elected to carry more responsibility than expected from them (chapter 5). For example, if an employee was working a night shift when technical problems occurred, the normal range of leeway associated with his position did not allow the employee to act as required to solve the problem. At this point, it was necessary to escalate the decision making to superiors. However, if this employee decided to step outside assigned boundaries to address the problem, this was done with the intention to save the manager's time and to reduce the delay of the manufacturing process. Ultimately, these decisions were the result of the desire and ability of employees to make discretionary decisions as opposed to the use of leeway assigned to the position. It was based *on personal values* (deep-seated concern for others and the employer) and therefore an example of *intrinsic* discretion used in a technical decision domain.

8.3.2 Example 2: Discretionary decisions with an ethical component

One particular decision (chapter 5) did not fit into the existing domains of Caza's circumplex. In this instance, the individual was aware of a co-worker who was believed to be committing fraud against the company and a decision had to be made

to report the co-worker. On the one hand, the participant was aware that the conduct of the co-worker was unacceptable, but on the other hand knew that reporting it could result in the co-worker's dismissal from the organisation, with devastating consequences for both the worker and the worker's family. When this decision was analysed using Caza's circumplex, the three domains that seemed a likely fit were general support discretion, supervisory support discretion, and technical method discretion.

Supervisory support discretion represents discretion about the 'monitoring of performance', but due to the absence of a supervisory relationship, this option was excluded. General support discretion, which represents 'influencing how others do their work', could fit discretion about an irregularity such as fraud, but Caza does not specifically associate ethical discretion with this domain. Technical methods discretion represents decisions about the 'practices chosen to execute tasks'. Company policies and procedures about dealing with fraudulent behaviour could be seen as a work practice but Caza's methods domain obviously deals with technical methods. Consequently, the discretionary decision to act in particular ways in situations that have a moral element such as the reporting of unethical behaviour does not obviously fit with any of the eight domains of discretion that Caza identified.

One way to solve this problem could be to add a ninth dimension that specifically accommodates the use of discretion in ethical matters. However, *Intrinsic discretion* is by definition the use of judgement based on personal values and beliefs and therefore inclusive of *ethical decisions*. Should decision makers identify a *moral component* to their discretionary decisions in any of the eight domains, it will be more beneficial to classify those as *intrinsic* decisions within the domain that best fit the type of decision (e.g. "methods" as in the example discussed here) instead of assigning it to a separate "ethical" dimension. The addition of an *intrinsic* dimension to all domains of discretion is an important outcome of this study, since it emphasises the embeddedness of *ethical decision making* in the decision making process instead of seeing it as separate from other forms of organisational decision making. It thereby *contributes to the call for research to link morality to discretionary decision making* (Arnaud & Wasieleski, 2014). In the example of the

reporting of fraudulent behaviour, the decision can be classified as a “work methods” decision in Caza’s circumplex, but the description of the domain will need to be slightly adjusted to include both technical work methods and ethical work methods. If organisational parameters were less obvious within which the decision was made, or if the individual chose to be guided by personal values rather than prescribed guidelines, the decision would then shift to the *intrinsic* end of the judgement continuum (while remaining within one of Caza’s identified domains).

8.3.3 Example 3: Supervisory support discretion

Those employees who were imposed with supervisory duties executed it in accordance with formally outlined organisational expectations (for instance in position descriptions). In accordance with expectation, the frequency with which the supervisory duties were performed, or the nature of discussions were left to the discretion of the supervisor. In other words, supervisors enjoyed a level of freedom in providing supervisory support. However, some supervisors moved beyond the discretionary range prescribed by the organisation. For instance, when an employee voiced an intention to resign, the supervisor was expected to perform an exit interview, and assist the employee with the termination process. However, the supervisor in this case was concerned with the personal well-being of the employee, and explained that much more time and effort than normally required was used to assist the employee in making the decision to resign. Although supervisory support exists in the relational dimension of Caza’s circumplex, the supervisory duty in this case had both an *extrinsic* and an *intrinsic* component.

Extrinsically, the supervisor performed the exit interview, and made sure that the employee was familiar with the termination process. The supervisor explained the individual choice to invest more time in face-to-face contact and support over a period of time to ensure that the employee did not make a mistake by resigning. The actions of the supervisor were performed beyond organisational prescription, and were guided by a personal concern for the employee based on *internal values*, in other words, using *intrinsic* discretion.

In examples 1 and 2 decisions were made within the technical domain. In example 1 it was obvious that the discretion that was used pertained to a decision about work

methods, but the decision maker moved outside the scope of assigned leeway, and used discretion based on internal values (concern for others and the organisation). The decision therefore fits within the inner circle of *intrinsic* discretion. In example 2, it was not obvious that the decision pertained to the technical domain, since it was not a decision that directly applied to the way in which the task was physically executed. Instead, the decision concerned the *ethicality of the methods* applied in executing tasks. This type of decision was not clearly captured by Caza's circumplex. However, by adding the *intrinsic* dimension of the decision, the discretion that was used could be allocated to the technical methods domain, but within the inner circle of *intrinsic* discretion. In example 3, a decision was made within the support domain, guided both by internalised values and guidelines associated with the decision maker's position.

Part 1 constructed a new meaning of workplace discretion as experienced within the context of Fonterra New Zealand. It was established that decisions within each of the eight domains of Caza's circumplex of discretion had both an *intrinsic* and *extrinsic* dimension. By examining both intrinsic and extrinsic dimensions, discretion used on lower organisational levels become more obvious. In addition, the *intrinsic* classification of discretionary decisions emphasised the ethical quality of many of these decisions. The discussion will now move to the values foundational to the decisions of Fonterra employees.

8.4 Part 2: Organisational and individual values underpinning discretionary choices

The purpose of part two is to discuss the findings in support of research question two: "*How do values impact the use of discretion?*" and focuses on section B of the proposed model (figure 8.1). The answer to this question draws on *MacIntyre's* view of morality in organisations, and is clarified by pointing out the intersection between discretion and *ethical decision making*. The impact of personal and organisational values are discussed, as well as the collaborative nature of the discretionary decision making process at Fonterra, which is associated with participants' inclination toward social values.

In the proposed model (figure 8.1) the intersection between *ethical decision making* and discretion is illustrated. Discretion is depicted as a range of choices existing on a continuum in the deliberation stage of the *ethical decision making* process. As the choices made by individuals varied between *extrinsic* and *intrinsic* discretion, so did the foundations on which the decisions rested. *Extrinsic* discretion was guided by facts and prescriptions, while *intrinsic* discretion was mostly guided by internal beliefs and values.

At Fonterra, *extrinsic* discretion typically involved decisions about task procedures such as those identified by Hackman and Oldham (1980). Options were curtailed by contextual regulation as also found in previous research (Carpenter & Golden, 1997; Crossland & Hambrick, 2011; Shen & Cho, 2005). For example, decisions about health and safety provided very limited discretion, if any at all. Fonterra group policies regulated the health and safety, social, environmental, and economic impact of the organisation's operations. Keeping to those standards was not optional for employees, but enforced and sanctioned through various pieces of appropriate regulation, both national and international.

To the opposite end of the continuum, *intrinsic* discretion was often required to decide about appropriate ways to engage with others in the working environment. Examples of interpersonal style and support were regularly cited. These decisions were encounter based and less observable than those tasks associated with *extrinsic* discretion, as described elsewhere in literature (Caza, 2012; Finkelstein & Peteraf, 2007; Scott et al., 2009). This decision process differs from *extrinsic* discretion in that it relies on intuitive responses to the situation, based on internal beliefs and values (Martin & Parmar, 2012).

Individual values became vitally important at the outer end of *intrinsic* discretion on the deliberation continuum. Individuals therefore need to understand the values and principles that underlie their decisions. However, research participants found it hard to articulate what these *personal values* were and where they originated from. The participants acknowledged that they seldom thought about the topic, and vaguely referred to it as principles they were taught by their parents. Conversely, they were much clearer about the *organisational values* and how it provided them

with the necessary foundation to base their decisions on. Although they found it challenging to articulate their personal values, they knew the organisational values very well, and reported that they felt content with them as a set of values they could use both in the workplace and in their personal life world (see section B in figure 8.1). Such *value congruence* is important in the workplace, as it is positively related to intrinsic career success (Erdogan, 1999); job satisfaction (Bretz & Judge, 1994); communication and cooperation (Kalliath, Bluedorn, & Strube, 1999); organisational identification (Masterson & Stamper, 2003); and tenure (Memon, Salleh, Baharom, & Harun, 2014). The adoption of organisational values as a set of surrogate personal values by Fonterra employees is a significant finding of this study, and emphasises the role that contemporary organisations play in the construction of ethical societies, specifically considering the moral confusion brought about by modern society (MacIntyre, 2007).

Based on the opinions of various scholars, the nature of the role that organisations should take on in this matter is not so clear. White and Lam (2000) argues that morality is just as much an organisational issue as it is an individual issue, while Pava (2002) asserts that personal ethics alone is not sufficient and the belief that personal ethics could serve as a substitute for organisational ethics is not only a myth, but downright dangerous. Tullberg (2009) proposes that companies should care more about moral issues, but expresses concern over a widening gap between ethics of rhetoric and ethics in use. Bauman in turn accuses organisations of taking over human morality instead of improving it. This post-modern scholar believes that morality cannot be gained by social contract, and argues for reduced organisational regulation which will return moral responsibility to the individual, where it belongs (Bauman, 1993). MacIntyre promotes the opposite: a return to communal life, where individuals could be kept responsible for their judgements by others. The current findings indicated that Fonterra played a very important role in establishing the values and procedures by which employees judged their personal actions, and that employees relied on the organisation for ethical guidance. However, organisations are known to limit individual autonomy in order to protect themselves against unpredictable employee behaviour (Tsahuridu & Vandekerckhove, 2008). Individuality is not necessarily forcibly removed, but is rather ‘socialised’ out of employees. As part of this process, personal values are

substituted for organisational values (Scott & Hart, 1980). However, organisations as moral agents are fallible, primarily due to an imbalance that can easily develop between *internal* and *external organisational practices*.

MacIntyre laments the current state of morality in society. To explain his concern, he uses the metaphor of a catastrophe where all knowledge was lost, and pages of books and journals blew around in the wind. Some of these pages were retrieved, and on inspection found to be vaguely familiar, but were devoid of the context within which they were written. When put together it remained a damaged story with no coherent form from beginning to end. In the same way he argues, there was a time in ancient eras when values flourished, but they suffered a catastrophe in the modern era. In the postmodern and contemporary era futile attempts are made to restore them, but only remnants remain; in a damaged and fragmented state (Okon, 2016). Evidence of this was observed in the current research study.

As Fonterra employees considered the organisational values, they found that some resonated with them for unknown reasons: some reminded them of parental instruction, and others carried some familiar universal truths such as the golden rule. However, as in the metaphor above, these were fragments of a vaguely familiar coherent story of morality, and the only way it made sense to them was in the packaged form of 'Fonterra values' provided by their employer. Schwartz and Bilsky (1987) explain that individuals must communicate about values in order to be effective members of social groups. In this way, universal values are determined which guide socially acceptable behaviour (Alexander, 1999). Previously, social institutions such as religious establishments played an important role in determining universal values. However, New Zealand society is moving away from customs and ideas that culture and religion impose on them (Ralston et al., 2011), and is (similar to most other industrialised countries) shifting away from traditional values toward secular-rational values (Ralston et al., 2011). In fact, New Zealand will very soon reach the point where more than half of the population will not be affiliated to any form of religion (Pew Research Center, 2015). The implication of this movement is that religious institutions which used to be central mainstays of universal values are no longer esteemed in New Zealand. But discourse is still required to reach some agreement on societal values, and as evidenced in the case of Fonterra, business

organisations may increasingly become the facilitators of these important conversations.

While business organisations are focused on survival in a competitive environment, their focus may easily shift to *external organisational practices* if left unchecked. Constant evaluation of the balance between *internal and external* organisational *practices* is crucial. If not, organisational values may be skewed, or perhaps misinterpreted to guarantee the attainment of external goods such as money, power and fame, which are the outcomes of *external practices*. The research findings suggested that the *internal practice* of Fonterra is the safe production of dairy products, safe for human consumption. In addition, concern for the health and well-being of others emerged as a significant terminal value for Fonterra employees. However, there were indications of safety as an *internal practice* being 'externalised' and the meaning of the value subsequently being changed from concern for others (internal good) to public recognition (external good). An example of this transpired in a conversation about health and safety reporting procedures: an employee was pushing a trolley with a container of oil. At one point the container toppled over, causing a spill. A fellow employee witnessed the event, but offered no support to clean up the spill. Instead, he elected to report the incident electronically. By doing so, it helped the unit reach their target number of reported incidents. If the employee was motivated by a deep concern for health and wellbeing, the first reaction would have been to offer help to a fellow employee. What should be an *internal practice* became a distorted external practice, where personal gain (recognition) was the ultimate end instead of the well-being of others.

MacIntyre certainly promoted communal living so that individual judgements can be challenged by others, and business organisations such as Fonterra provide platforms where values can be agreed. However, there is a real risk that values could become distorted in a business environment. For example, as shown in this study, the externalisation of *internal practices* diverged attention from excellence associated with internal goods to effectiveness gained by the appropriation of *external goods*. Solid, agreed upon organisational values are fundamental to the discretionary decision making process at Fonterra, due to the significant role of collaboration at different stages of the process, which will be explained next.

8.4.1 The discretionary decision making process (DDP)

One of the main purposes of this research study was to help close the gap between morality and discretionary decision making (Arnaud & Wasieleski, 2014). After a review of existing literature, an examination of the intersection between discretion and *ethical decision making (EDM)* was considered to be one way to achieve this objective. For this reason, the linear four step *EDM* process offered by Rest (1986) was selected to frame the research. In particular, emphasis on the judgement phase was regarded a useful point of departure. Although significant insights were developed about the judgement phase, an unexpected outcome of the research was the interaction between individual and collaborative decision making throughout the decision making process. This finding is significant because it draws attention to the underemphasised social nature of discretionary decision making in the current work environment, and potentially opens up new avenues for research.

There is wide agreement amongst scholars examining decision making processes that it is critical to understand how the alternatives (from which decision makers eventually make their choices), are constructed (Pomeroy & Adam, 2004). The way in which the current study contributes to this understanding is presented in figure 8.3, which is a sub-set of the model developed from this research in figure 8.1 (see section C of the model). By examining the interaction between individual and collaborative decision making it was discovered that decision makers used one of seven possible routes through a process that will be referred to as the *discretionary decision making process (DDP)*; some of which were used to construct the alternatives from which they chose their actions. This is an important finding because previous research failed to identify the relevance of collaboration in the discretionary decision making process.

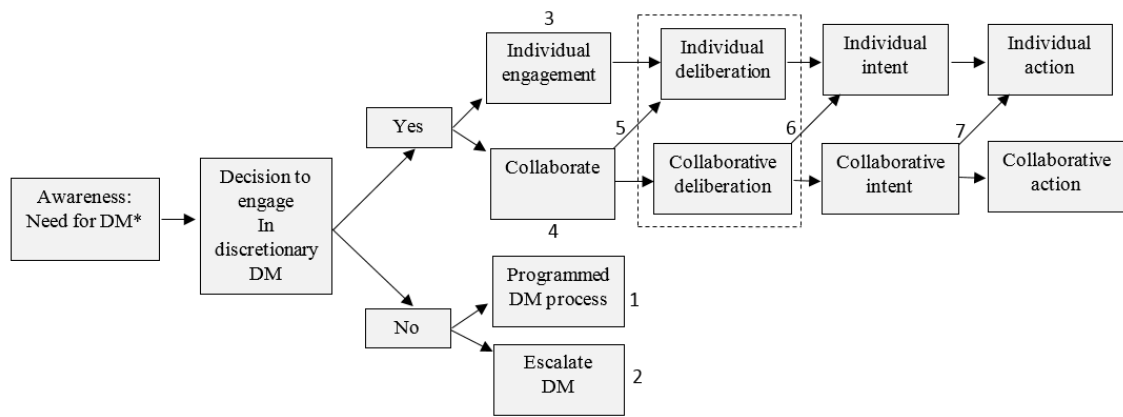


Figure 8-3 The discretionary decision making process

Both the EDP and the DDP commence with an awareness stage. *Ethical decision making* involves an awareness of a moral dimension to the process (Fritzsche, 1991) while the emerging DDP involves an awareness for the need to use discretion. Although discretionary decisions are often based on individual values and beliefs, it is not limited to moral decisions only; awareness therefore include the realisation that it might be necessary to make an *unprogrammed* decision, or to step outside of normal decision authority, irrespective of the moral nature of the situation.

Unprogrammed decisions are those decisions which are repetitive and routine to the extent that a definite procedure has been worked out, and decision makers do not have to work from scratch every time they occurred (Simon, 1977). Discretionary decisions on the other hand, are those decisions that are novel and unstructured, or *unprogrammed* (Simon, 1977). These decisions are necessary to deal with unpredictable, ambiguous situations (Hendrickson & Harrison, 1998; Wolfe Morrison & Phelps, 1999) and include discretionary decisions. In Figure 8.3, seven possible routes through the discretionary decision making process are indicated. Route one leads to programmed decision making, and route two to the escalation of decision making, while the remaining five lead to unprogrammed decisions, all of which requires the use of discretion. Exactly how discretion was exercised in these cases will be explained by looking at each of these routes in turn.

Routes 1 and 2: Decision not to engage in discretion

Once the need for the use of discretion had been identified, a decision was made whether to engage in the use of discretion or not. In the event that the individual decided not to engage in the use of discretion, routes 1 or 2 were followed. In these

cases, the decision maker either complied with the bare minimum, and thereby only made decisions that were clearly stipulated in advance (route 1); or escalated the decision to the next management level (route 2). This type of behaviour placed a lot of stress on managers to make decisions on behalf of others who were not willing to take any risks in their own decision making. In fact, W8 stated this as the reason for resigning from the position of operational manager. This finding is in line with Avgar's (2012) findings that the relationship between increased discretion and turnover intention is mediated by stress. The current study confirms that employees exercise individual choice to engage in the use of discretion. By choosing not to engage they remained within the parameters of role expectation but potentially caused intolerable stress levels in others who then had to assume the responsibility of unprogrammed decision making. Conversely, when decision makers identified the need to use discretion and decided to engage in the process, five alternate routes were followed, which will be discussed next by citing relevant examples.

Route 3: Individual engagement→Individual deliberation→Individual intent→Individual action.

An individual identified the need for discretion and decided to engage in the process in an individual capacity. For example, E3 decided to reward an employee who did not take sick leave for a period of 400 days in succession. According to common company practice, individuals were not rewarded for not taking sick leave. However, E3 decided to act outside of convention in order to recognise the diligence of this particular worker. In this case, deliberation about the issue was individual, and so also intent, and eventual actions.

Route 4: Collaborative engagement→Collaborative deliberation→Collaborative intent→ Collaborative action

Opposite to route 3, the discretionary decision making process was sometimes followed in a collaborative fashion. E17 for example explained how the need for discretion was sometimes highlighted, but that *the team* would then get together, debate the issue, decide what the best alternative would be, and then follow through with their intended action as a team. Similarly, new employees relied on collaborative decision making. Once inexperienced individuals identified that more than a programmed decision was required, they would seek the assistance of others

to gather information, deliberate the issue, and then follow through with intended action as decided in collaboration with co-workers and/or managers.

Route 5: Collaborative engagement→Individual deliberation→Individual intent→Individual action

When using route five, individuals partially engaged in collaboration, but most of the process was completed in an individual capacity. For example, the decision maker became aware of the need to use discretion, but relied on other sources to gather enough information on which to base the decision. K4 and K14 both shared examples of recognising the uniqueness of decision situations, and consequently looked at how other sites addressed similar problems. K7 explained how experts were used to gather information in order to make an *ethical decision* based on facts. In all of these examples, the individuals used a collaborative approach to gather information, but different to route 2, the deliberation phase was undertaken in an individual capacity, and the eventual action was similarly taken based on individual intent.

Route 6: Collaborative engagement→Collaborative deliberation→Individual intent→Individual action

When following route 6, individuals engaged with others to gather information on which to base their decisions. They furthermore engaged in collaborative deliberation, where they considered the ethical and procedural appropriateness of the option. However, although they engaged in collaborative deliberation, a decision had actually already been made. In other words, the intent and consequential action was individual rather than collaborative. An example offered by W6 illustrates route 6. Collaboration was used to enforce a decision that had already been thought through in an individual capacity. However, collaboration with others was sought to verify that the intended action was the best course of action.

Route 7: Collaborative engagement→Collaborative deliberation→Collaborative intent→Individual action

The data in this research study did not deliver an example of route 7. However, one particular incident could have veered along this route. K1 explained how a foreign

microbe was detected in a product, which was ready to be released to the customer. Although it was still within a tolerable spectrum, there were doubts as to the safe release of the product. In this case, K1 collaborated with colleagues to obtain all the necessary information about the situation. K1 then entered into a collaborative deliberation stage, to determine the best course of action. They concluded not to release the product. K1 who was the primary decision maker, then carried out the collaborative intent when giving the instruction not to release the product. However, this course of action was not to the personal advantage of K1. By not releasing the product, the site carried a significant financial loss, which directly impacted K1's personal remuneration. K1 was the person in position of authority, with the leeway to make the final call. This manager could have, after consulting with others, decided to release the product for personal gain. However, K1 persevered with the collaborative intent and prohibited the release of the product.

Seeking advice and expertise from others in decision making emphasises the social nature of decision making as a process, structured around discovery and collaboration (Benson & Dvesdow, 2003). In this study collaboration appeared to be an important activity undertaken by individuals as well as groups, in different stages of the decision making process. In fact, W6 explicitly noted an increased tendency to consult with others in the Fonterra work environment. This increase in consultative involvement is consistent with previous research that found participation on the increase and task discretion on the decrease since the early 1990s (Gallie, Felstead, & Green, 2004). In addition, Avellaneda (2013) found that leaders under stress were more open to the input from others; a contextual factor also true for Fonterra (discussed in more detail in the third part of this chapter). Collaboration served different purposes throughout the discretionary decision making process.

In the *pre-deliberation* stage, collaboration was used to gather information on which to base decisions, but notably, collaboration was also used *in* the deliberation phase (routes 4, 6 and 7). It is in the deliberation stage when the ethicality of decisions could be significantly impacted, particularly when intrinsic discretion is used. Since collaboration permeates the discretionary decision making process, and particularly the deliberation stage, it is worthwhile to recognise the associated

advantages and disadvantages that has already been established by previous researchers.

Collaboration can leverage insight, prevent quick-fixes and encourage reflection (Benson & Dvesdow, 2003). In the current study collaboration was sought to create buy-in, and to improve decision quality. These were good reasons to engage in collaboration, since previous researchers found that collaboration garner ownership and increased shared responsibility for decision outcomes (Benson & Dvesdow, 2003; Owen, 2015) and encouraged a sense of social responsibility in employees (Ellman & Pezanis-Christou, 2010). The current research furthermore supports Owen (2015) who found that collaboration was not as much about finding a satisficing solution, but rather about seeking a significantly more valuable choice than what any individual by him or herself could envision.

However, these advantages need to be considered in light of disadvantages which may have significant ethical consequences for the organisation. Previous research found no ethical gain from group reasoning over individual reasoning; groups were more willing to punish dishonesty than individuals, resulting in (sometimes unnecessary) harsh treatment of people (Keck, 2014); and organisational members overestimated the degree to which others share their views on ethical matters, resulting in a false consensus bias (Flynn & Wiltermuth, 2010). In addition to ethical concerns, collaboration may also generate cost hidden in lengthy discussion cycles (Cross, Ehrlich, Dawson, & Helferich, 2008). It is therefore important to be selective in choosing collaborators, and to approach experts whose contributions are most relevant for the organisation and the particular situation that is being dealt with (Cross et al., 2008).

In part three of this chapter, the focus shifts to Fonterra employees' perceptions of the factors that impacted their ability to use discretion in the workplace namely organisational, interpersonal and intrapersonal factors (see section D in figure 8.1). *Organisational factors* were thought to restrict their use of discretion, but interestingly, their attitudes about these factors differed. The use of discretion in decisions related to product and workplace health and safety was heavily regulated and considerably restricted, yet Fonterra employees were accepting of the limited

leeway they had in these areas. On the other hand, they were less tolerant of factors associated with organisational strategy, organisational change, and organisational growth. A potential explanation for this difference is offered by looking at organisational decision making from *MacIntyre's* perspective. *Interpersonal factors*, in particular the prevalent management style in Fonterra, were experienced as conducive to their use of discretion. Less data has been collected about the *intrapersonal factors* that affected employees' discretion, but some interesting conclusions could nevertheless be made; particularly about the interactive effect of individuals, systems, and regulation on discretion.

8.5 Part 3: Factors that impacted discretionary decisions

In this part *organisational* factors that impacted employees' discretion will first be discussed, followed by *interpersonal* and then *intrapersonal* factors. As alluded to before, the organisational factors were experienced both positively and negatively by Fonterra employees. On closer examination, factors that were experienced more positively were associated with *internal organisational practices*, while those experienced negatively, were associated with *external organisational practices*. This finding is of value since it contributes to the understanding of employees' attitudes to workplace initiatives.

MacIntyre (1981, p.187) defines a *practice* as "a socially established cooperative human activity through which goods internal to that form of activity are realised". The criteria that qualify the production of a product (dairy products in the case of Fonterra) as a *practice* is the coherence and complexity of the processes involved in its production; and the social origin, social execution, and historical social tradition associated with it (Higgins, 2010). The manufacturing of dairy products fits this description although the evolution of dairy manufacturing needs to be taken into consideration. Different to the original craft of cheese making (and the production of other dairy products) in small family businesses, participants in this research study were employed by Fonterra, which MacIntyre refers to as an *institution* that sustains the *practice* of dairy manufacturing. MacIntyre distinguishes between the *goods* to be gained from *practices* and *institutions*.

Internal goods are associated with *internal practices* (in this case, dairy manufacturing). *External goods* on the other hand are associated with the *institution* itself (in this instance Fonterra as an organisation).

8.5.1 Internal organisational practices

Those involved in a common practice such as business organisations, derive internal satisfaction from their participation in generating good for others. Others include the immediate community who participate in the practice, as well as the broader community that benefit from using the product (Fitzmaurice, 2010; Higgins, 2010; Kavanagh, 2012). The way in which proprietors of original dairies engaged with their craft (e.g. cheese making) would make the identification of dairy manufacturing as a *practice* more obvious, but through the division of labour and modernisation of industry processes, dairy manufacturing became an assembly of activities which each in itself may not amount to answering the criteria of a *practice*. It could therefore be argued that Fonterra employees do not count as ‘craftspeople’ any longer, but it is important to recognise that these employees are still involved in the process of dairy manufacturing, albeit in a piecemeal way, and the collective good is still served through the provision of dairy products.

The current study established that *good* for all (immediate and wider community) was interpreted in terms of safety. Fonterra employees (or dairy manufacturing *practitioners*) expressed concern for the health and well-being of those involved in the manufacturing process; as well as those who were the end users of the dairy products. Higgins (2010) indeed argued that *internal practices* (measured in terms of *excellence*) are open for judgement by those outside the practice. This became apparent through the national and international reaction to the Botulism scare. The ethical focus of *excellence* (thus *internal practices*) is ‘community’ and the role that the individual plays in the community as opposed to ‘self’, which is achieved through cooperation and personal best instead of competition and contest (Horvath, 1995). Fonterra employees regularly emphasised their personal responsibility to protect and ensure the safety of their immediate and wider communities. Each employee accepted the extra work created by the tightening of safety regulations that followed the Botulism scare because, as W9 emphatically stated: “*What we are trying as a company, as a department, and as a team, is to never ever have that type*

of thing happen here...". Participants' desire to ensure product and workplace safety proved to be stronger than their desire to exercise personal discretion. Simply put, they embraced regulation even though such regulation meant that opportunities to use personal discretion were minimised. However, the study also indicated that Fonterra needed to heed the danger of 'externalising' health and safety practices through shifting the focus from safety based on personal integrity to safety as a competition to be won.

8.5.2 External organisational practices

The aim of an institution such as Fonterra is to sustain its *internal practice* (dairy manufacturing in this case) but also to sustain itself as an entity. *Practices* can indeed not survive without *institutions* (Higgins, 2010; Kavanagh, 2012) but at the same time, *institutions* can potentially corrupt *internal practices* (Higgins, 2010). This happens when more emphasis is placed on *external goods* (generated by and for the institution) than on goods to be had from the *internal practice* itself. The procurement of *external goods* can lead to competition and end up as someone's property in the form of money, power, and fame (Clayton, 2005). New Zealand's dairy industry started out as small proprietary dairies, but through a series of mergers developed into Fonterra. The research findings suggest that Fonterra employees experienced an increased organisational drive to procure *external goods* as Fonterra grew as an institution. They noted that one of the consequences of the growth and change of the organisation was decreased opportunities to use individual discretion. Fonterra employees were negative about their diminished discretionary abilities associated with *external practices* such as organisational growth and change. Another external practice that was found to impact employee discretion, was the organisation's strategic focus on velocity. To achieve velocity, the use of discretion was encouraged, but employees did not welcome the leeway granted in order to achieve this *external* objective. Fonterra employees declared that *external* practices distracted them from their primary work activities. This finding confirms Higgin's (2010) assertion that *institutional practicalities* can threaten the integrity of *internal practices*, and the ongoing challenge faced by organisations to generate social benefit and profit simultaneously (Corner & Pavlovich, 2016).

8.5.2.1 Organisational growth and change

Due to extended periods of employee tenure, most participants experienced major organisational transitions in the time that they were employed on the different sites. When discussing their ability to use discretion, two particular consequences of the changes were regularly cited: management turnover and standardisation of practices.

Employees at both the Eltham and Kapuni sites were dissatisfied with the frequency of management turnover which they thought resulted from the fact that the sites were used for the purpose of management training. As a result, the trust that was needed to increase leeway in their decision making was disrupted each time a manager left the site. This finding corresponds with previous research that found trust to be central to the effective use of discretion (Erdogan & Bauer, 2009).

Organisational size is a critical determinant of discretion (Hambrick & Finkelstein, 1987). There is a general impression that bigger organisations are rigid rules-oriented bureaucracies that inhibit the use of discretion (Neubaum et al., 2004). As organisations grow, management leeway decreases (Finkelstein & Hambrick, 1990) and bureaucracy increases (Mintzberg, 1979). Although Neubaum and colleagues (2004) found evidence to the contrary, the research results in the Fonterra case supports the general idea of diminished decision making leeway in larger organisations. Fonterra employees reported that organisational rules and regulations increased as the organisation expanded. Once smaller sites such as Eltham and Kapuni were incorporated into the Fonterra structure, decision making capabilities were restricted and centralisation of a number of organisational practices (e.g. staff recruitment) impacted their ability to use their personal discretion. The general idea of larger firms being more regulated, was confirmed by some of the present employees who accepted their decreased discretion as a natural result of organisational growth.

8.5.2.2 Velocity associated with organisational strategy

Fonterra operates in a highly competitive environment, and as an *institution* it needs to reach high levels of efficiency. At the time of the research this resulted in a fast paced working environment where employees were often left with little choice but to use their discretion. They operated under the mantra that ‘the wrong decision is

not making a decision' and were accustomed to making decisions on the spot by relying on their own judgement of stakeholders' needs and a variety of other situational factors. To keep production moving employees had to rely on their gut instinct and sometimes found it necessary to circumvent the rules in order to keep production going. The intense work pressure and the burden of decision making leeway resulted in stress and dissatisfaction with decisions they felt were substandard. They were frustrated that there was seldom sufficient time to revisit choices in order to improve future decisions. Even though employees were dissatisfied with this state of affairs, they continued to engage in discretionary decision making due to the management support they received. This will be discussed in the next section on the effect of interpersonal factors on the use of discretion.

8.5.3 Interpersonal factors

Factors that were perceived to encourage employees in making discretionary decisions were mostly *interpersonal* by nature. The process of collaboration with others in decision making has already been discussed at length in part two of this chapter. In addition, employees were inclined to engage in discretionary decision making due to the prevalent Fonterra *management style*. Managers not only expected employees to use discretion, but also provided support and tolerated mistakes, which encouraged employees to accept more personal responsibility in their decision making.

8.5.3.1 Management style

It was apparent that management expected a level of discretionary decision making from employees across all organisational levels. On closer examination at least some of this expectation seemed to be motivated by organisational strategy. Fonterra employees reported that they often used discretion due to time constraints, which resulted in stress. To make a decision outside of the leeway granted to a person requires risk taking (Hernandez, 2008; Johnson, 1994). In people's minds an inverse relationship exists between risk and benefit (Alhakami & Slovic, 1994), which intensifies under time pressure (Finucane, Alhakami, Slovic, & Johnson, 2000). Employees under extreme time pressure should thus be inclined to reduce

their risk taking behaviour. Instead at Fonterra, risk taking behaviour in the form of discretionary decision making increased. This incongruity can potentially be explained by the effect of management style reported by Fonterra employees.

Employees experienced their managers as supportive and believed that their managers approved of their use of discretion. Goll and Rasheed (2004) indeed confirm that an organisational culture that foster belief in the organisation's sanctioning of latitude, increase employees' use of discretion. By granting discretion, employees are empowered (Chan & Lam, 2011; Fernandez & Moldogaziev, 2015; Longfellow & Malehorn, 1996) and the acts of managers are essential in shaping employees' perceptions about discretionary empowerment (Fock, 2004); it is only in a supportive environment that authentic employee participation can truly flourish (Twinaime, 2008). Finucane and Slovic (2000) found that affective evaluations systematically change cost-benefit evaluations. In other words, at Fonterra, the consistent encouraging support of managers when employees made discretionary decisions created positive affect in employees that in turn affected their cost-benefit evaluation of using personal judgement. Based on this reasoning it followed that they were then willing to use their discretion while working in a stressful environment.

8.5.3.2 Tolerance of mistakes

Under normal circumstances decisions are made by applying established rules to familiar issues, leading to relatively predictable outcomes (e.g. programmed decisions). In addition, decision makers have the option to use the rules as defence, should adverse results ensue. Taking discretionary action on the other hand requires the decision maker to assume personal responsibility for decision outcomes, since the security of outlined provisions are lacking. This study demonstrated that dual ownership of decision outcomes served as a substitute 'safety net' in the absence of rules. Decision makers were more likely to use discretion when they had the assurance of managers who were willing to co-own decision outcomes. In some of the examples described by participants, rules actually existed, but applying it to the situations they were confronted with would result in loss of either time or money (chapter 6). Decisions were therefore made to circumvent prescription in order to attain a faster or more desirable result. Often this type of agreement to act in novel

ways was referred to as “seeking forgiveness rather than permission” (chapter 6). The findings suggest that business problems were regularly solved through unexpressed agreement, or *implicit* discretion. Crossland and Hambrick (2011) discriminate between explicit and implicit discretion, where implicit discretion lacks express prohibitions, but is exercised according to unspoken, consensually understood limits. In Fonterra’s case, such ‘implicit’ discretion was used to the benefit of the organisation by reaching quick and efficient solutions to business problems.

This study’s findings about management style is important for two reasons. On the one hand, it confirms the significance of management support and encouragement in work environments where higher levels of personal responsibility are expected from employees. On the other hand, it signals the risk of implicit discretion that may lead to *unethical decisions* and work practices.

8.5.4 Intra-personal factors

The last group of factors that impacted on the deliberation process is associated with the individual. Interesting comments were made about the willingness to engage in the use of discretion based on levels of confidence and individual differences and physical well-being. Previous research (Hutzschenreuter & Kleindienst, 2013; Oberfield, 2009; Wolfe Morrison & Phelps, 1999) have already established a relationship between confidence and individual differences in the use of discretion. Less is however known about the effect of physical well-being on individuals’ ability to use discretion. In this study, reference was made to tiredness related to shift work. In particular, the way in which people chose to engage with others was compromised when they were feeling tired.

8.5.4.1 Personal responsibility

Some participants were critical of the management style in Fonterra. The tendency of managers to protect their employees from carrying the responsibility for their decisions were not supported by all. In an effort to protect the individual, other reasons were presented as an explanation for mistakes that occurred. For example, when the actions of individuals compromised health and safety of self and others,

the system was often blamed, instead of keeping individuals responsible for their actions. In such cases, the system needed to be adjusted to prevent others from making the same mistakes. Although such actions could be seen as continuous improvement, it also had the effect of increased regulation and a subsequent decrease in the discretionary privileges of the individuals. Figure 8.4 illustrates how the relationship between the person, systems and regulation interact to impact the use of discretion.

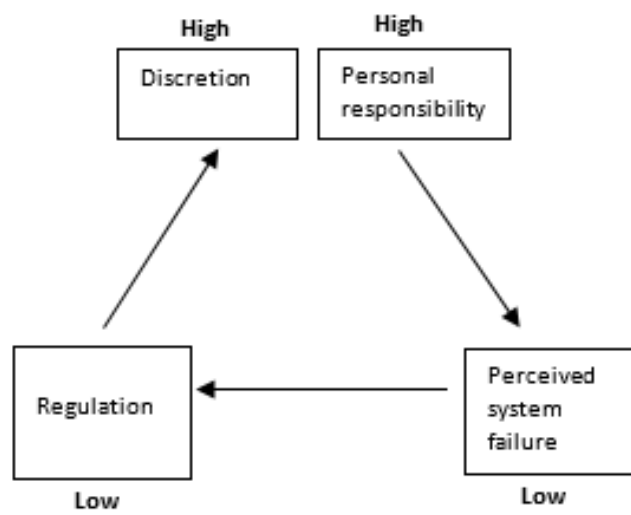


Figure 8-4 Person/system/regulation interaction with discretionary decision making

When a person takes personal responsibility for their actions, the supposed system failure is low. In turn there is less drive to increase regulation, and the individual maintain a higher level of discretion in decision making. The opposite is equally true as illustrated in figure 8.5. If less personal responsibility is taken, the supposed system failure is high, resulting in attempts to reduce a re-occurrence of the failure. This is usually in the form of increased regulation. Consequently, discretionary privileges are reduced.

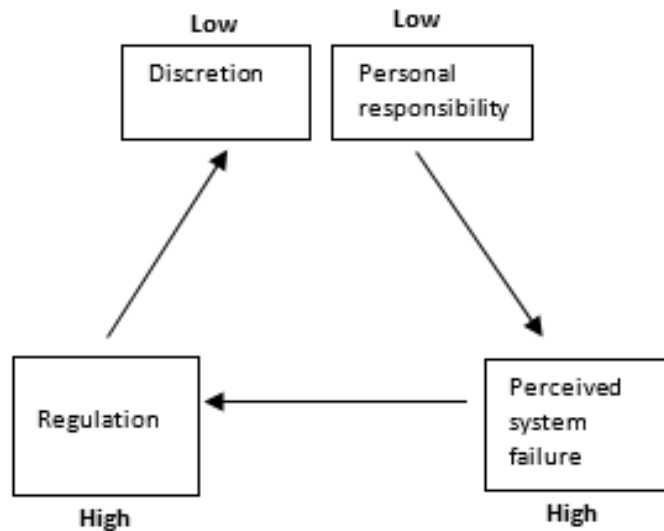


Figure 8-5 Person/system/regulation interaction with discretionary decision making

The next example helps to illustrate this relationship: A participant shared the example of an employee who used a stepladder in an unsafe way. To him it was obvious that the person was at fault, but instead of addressing the person as the root cause, the investigation centred on the health and safety systems that were in place. To prevent someone from using the ladder in a similar unsafe way, the rules around the use of ladders were tightened, resulting in reduced discretionary use of stepladders by other (responsible) users. This is an important finding that indicates how individuals (through their reluctance to accept personal responsibility for their decisions and actions) contribute to more regulated environments.

8.5.4.2 Individual differences

The effect of individual differences on discretionary decision making has been thoroughly researched before (Clark, 2004; Forte, 2005; Hambrick & Finkelstein, 1987; Hutzschenreuter & Kleindienst, 2013; Judge, Erez, Bono, & Thorensen, 2002; Oberfield, 2009; Wolfe Morrison & Phelps, 1999) and was not the focus of the current study. However, findings indicated that individuals' abilities to relate to others impacted discretion. In particular, employees on lower organisational levels identified their discretionary decision making responsibilities in terms of work relations. While they found it difficult to identify task decisions that required discretionary skills, it was more obvious that it was needed in the way they related

to others. They described differences in work teams such as gender and religion that could lead to dissent if they chose not to be respectful in their relationships. These decisions were *intrinsic* by nature due to characteristics of being encounter based, less costly and less observable (Scott et al., 2009).

Part three of this chapter concentrated on the factors that impacted the exercise of discretion. Organisational, interpersonal and intrapersonal factors as evidenced in the research data were discussed in detail. In particular, it became clear that organisational factors restricted the use of discretion, but that employee attitudes about the restriction varied according to the specific organisational *practices* it was associated with. Restrictions associated with decisions about external organisational practices resulted in higher levels of dissatisfaction in comparison to those associated with internal organisational practices.

8.6 Part 4: Desired Outcomes

In the proposed model (section E, figure 8.1), a number of outcomes associated with the exercise of discretion are indicated. These outcomes were the ideals that Fonterra employees wished to attain by engaging in discretionary decision making. A variety of outcomes was expressed, some on organisational level and others on individual level. Although these were varied, it can overall be grouped together as workplace harmony and employee satisfaction. Participants on all organisational levels expressed the wish to ensure workplace harmony. To attain this, they would use their discretion to prevent crises, treat employees fairly, and foster trust. These were outcomes that have already been determined by previous research, for example trust (McEvily, Perrone, & Zaheer, 2003); fairness (Bol, Keune, Matsumura, & Shin, 2010); and favourable job conditions (Eisenberger & Cameron, 1998). Employees further engaged in discretionary decision making to attain job satisfaction, as also established by Dwyer and Ganster (1991). An undesired individual outcome of high levels of discretion was turn over, as confirmed by Chen and Cho (2005). In the current study it was found that the high levels of responsibility associated with the exercise of discretion resulted in stress, which in turn could lead to turn over intentions.

8.7 Conclusion

By looking at the phenomenon of discretion from MacIntyre's perspective, a new level of meaning was provided to the use of discretion in the workplace. Based on MacIntyre's theory, the thesis of this research was that employees (through their decision making) would be in a position to contribute to ethical workplaces if they understood and were in mutual agreement with the ultimate goal of the employer. They also needed to be in agreement with each other and with the organisation on the values that informed their decision making. Furthermore, ethical behaviour was more likely to follow if a balance was maintained between internal and external organisational practices. It was found that the ultimate goal of Fonterra was the *safe production* of dairy products for *safe consumption* by end users. The research showed that employees relished opportunities to use discretion in their work. However, because they were in agreement with the organisation's ultimate goal, they accepted restrictions to their leeway if it helped the organisation to achieve this end goal. On the other hand, they resented restrictions on their use of discretion if these restrictions were more obviously associated with external organisational practices. This finding indicates that employees were sensitive to the balance that the organisation maintained between internal and external practices; and that the way in which the organisation balance these practices affected their subsequent use of discretion.

A significant contribution of this research is the addition of an *intrinsic/extrinsic* dimension to discretion, which helped to highlight the use of discretion on *all* organisational levels. As decision making became more intrinsic, employees increasingly relied on values to guide them in their choices. Agreement on these values was therefore important. It was found that employees were not clear on their personal values, but instead accepted the organisational values as surrogate to explain the foundations of their discretionary choices. This finding underlines the increasingly important role that organisations play in providing a platform for agreement on values that inform individual decisions.

Chapter 9: Conclusion and Implications

9.1 Introduction

The ultimate aim of this research study was to find out *how employees were using discretion* in contemporary business environments. The enquiry was inspired by the researcher's personal interest in the use of discretion on lower organisational levels, and was carried out at an opportune time to contribute to knowledge on ethical employee behaviour. The study was executed in a tightened business environment (Arjoon, 2006; Deegan & Shelly, 2014; Finn, 2015; Gössling, 2003; Pérezts & Picard, 2015; White & Lam, 2000) due to the effects of major corporate scandals that initiated tighter regulation and consequently left less room for the use of discretion. Loss of leeway in decision making is significant because of its effects on business as well as employees. A consequential effect that is important to this study, is the potential loss of moral autonomy (Kohlberg, 1973) in highly regulated workplaces. The study coincided with Arnaud and Wasieleski's (2014) call for research to help link discretion with morality. MacIntyre's theory as it applies to organisations was helpful to analyse the findings that were collected in a single case study of employees working for New Zealand's dairy giant, Fonterra. In particular, emphasis was placed on the significance of a shared telos and balance between internal and external organisational practices to provide context and meaning to morality in the workplace. Three research questions guided the enquiry:

1. *How do employees on different organisational levels exercise discretion?*
2. *How do values impact the use of discretion?*
3. *What factors contribute to and inhibit the use of discretion?*

The next section summarises the findings of the thesis in answer to the research questions, followed by contributions of the study to theory, research and practice. To close, future research opportunities and limitations of this study are presented and some final concluding remarks are offered.

9.2 Empirical findings

The main findings were presented in three empirical chapters: Chapter 5: Discretion by levels – findings related to research question one. Chapter 6: Values and the use of discretion – findings related to research question two; and Chapter 7: Factors conducive and restrictive to discretionary decision making – findings related to research question three. This section synthesises the empirical findings to answer the three research questions in turn.

9.2.1 How do employees on different levels exercise discretion?

A major contribution of this study was the uncovering of an *intrinsic/extrinsic* dimension of discretion. This dimension not only helped to accentuate the connection between discretion and ethical decision making, but also helped to emphasise the use of discretion on all organisational levels. Previous research studies in organisational discretion are skewed toward the upper organisational echelons, while this study indicated that important discretionary decisions were regularly made on lower organisational levels.

The current study found that employees exercised judgement within the parameters of prescribed rules and regulations (*extrinsic discretion*) but also by relying on internalised personal values (*intrinsic discretion*) to decide between options. The decisions they found most challenging were those that depended on their personal interpretations and subsequent use of personal values to guide them in their decision making. Examples of *intrinsic* and *extrinsic* discretion were found within different domains of discretion and across all three of the organisational levels. Discretion in the *goal setting* domain was significantly restricted by rigorous organisational, national, and international regulation pertaining to health and safety and product quality. *Extrinsic* discretion was therefore mostly exercised in this dimension. *Task discretion* (decisions about scheduling, material and methods) was exercised on all three the levels, but on the lower organisational levels, employees neither recognised their use of discretion, nor understood the potential impact of their decisions on the overall performance of the business. This was perhaps due to the repetitive, mechanistic nature of the tasks they performed. *Relational discretion*

(support and interpersonal style decisions) were also exercised by employees on all organisational levels, and were reported to be more challenging than task related decisions. The exercise of relational discretion was less obvious and guided by internal values (*intrinsic discretion*) rather than explicit organisational rules.

9.2.2 How do values impact the use of discretion?

An important finding of this research was the significant role that organisational values played in the substantiation of discretionary decisions. In the absence of clearly defined personal values, employees regularly referenced organisational values to justify their choices. In New Zealand society, there is a move away from traditional values that were historically founded on religious principles. From MacIntyre's perspective (who emphasises the importance of community in the construction of moral societies) this move is eliminating a common platform where societal members traditionally met to agree on values that guided acceptable moral behaviour. In this case study there was a strong indication that Fonterra served as a substitute space where such agreements were reached. Participants often referenced the four key organisational values (make it happen, challenge the boundaries; co-operative spirit; do what's right) to justify their choices. Interestingly, they did not reference 'co-operative spirit' as often as expected, given their emphasis on social terminal values over individual terminal values.

The study showed that employees chose to collaborate with others throughout the discretionary decision making process, which might be attributable to the social orientation of participants' values. This was a significant finding which emerged from the data. There was no a-priori indication that collaboration would play an important part in the exercise of discretion. Yet collaboration proved to be an important part of participants' decision making, at various stages of the process. Although collaboration is a recognised part of information gathering in the early stages of the decision making process, its presence in the deliberation stage (as indicated in this study) is significant. It is in the deliberation stage that individuals rely on internal values to exercise discretion. Collaboration with others in this stage, provides vast opportunity to influence, or to be influenced by others' value systems. Consequently, if the values of collaborators do not align, or if collaborators have questionable values, the ethical nature of discretionary choices could be impacted.

This is of particular concern for Fonterra, where a high premium is placed on collaborative efforts in decision making.

9.2.3 What factors contribute to and inhibit the use of discretion?

The study showed that organisational and interpersonal factors in particular had a significant impact on employees' use of discretion. Intrapersonal factors were less emphasised, but the willingness of individuals to accept responsibility for decision outcomes was a surprising intrapersonal factor that emerged from the study.

An interesting finding was the way in which employees experienced organisational factors that impacted their discretion. The organisational factors were analysed by using MacIntyre's notion of internal and external organisational practices, and showed that employees experienced the effects on their use of discretion differently as it varied between internal and external organisational practices. The study indicated that employees relished their use of discretion, but that they were agreeable to reduced opportunities to exercise discretion, if they understood that the restrictions were in support of internal organisational practices. This was particularly true for restrictions on discretion that sustained the health and safety of Fonterra's employees as well as end-users. Conversely, they disliked restriction on their discretion if those factors were associated with external organisational practices. This phenomenon indicated the likelihood that employees sensed when internal and external organisational practices were out of balance, and could be a signal to the organisation to review their overall strategy of attaining the 'telos' (the ultimate objective of the organisation) which in this case was the safe production of safe dairy products for human consumption.

As discussed in the previous section, employees were more inclined to use their discretion when they were able to do so in collaboration with others both inside and outside of the organisation. In addition, the particular management style prevalent in Fonterra encouraged them to use discretion. Employees were willing to take risks associated with discretionary decision making because managers encouraged them, tolerated their mistakes within reason, and supported them when decision outcomes were unfavourable.

In terms of intrapersonal factors, support was found for factors that are already recognised for its impact on the use of discretion; for instance, personal confidence, physical well-being, and individual differences. However, the willingness of individuals to accept responsibility for decision outcomes stood out in the current study. It was found that systems were tightened when individuals were less inclined to accept personal responsibility for undesirable decision outcomes, and blamed the system instead. The consequent introduction of additional rules reduced their discretion. On the other hand, if they accepted personal responsibility, regulation was left more flexible, allowing more room for individual discretion.

9.3 Implications for theory

This research study brings new meaning to the use of discretion in organisations, which is depicted in the proposed model in chapter 8. The model synthesises the intrinsic and extrinsic approaches to discretion that emerged through the study. In doing so, the ethical dimension of discretion is accentuated, thereby contributing to a much needed understanding of the link between ethics and discretionary decision making (Arnaud & Wasieleski, 2014). The intrinsic/extrinsic dimension of discretion furthermore helped to clarify the use of discretion on lower organisational levels. The model shows how personal values impacted the individual discretionary decision making process but moreover, it features the social nature of the discretionary decision making process as it emerged from the data. An additional feature of the model is the illustration of how organisational, interpersonal, and intrapersonal factors impacted on the intrinsic/extrinsic use of discretion. In the next six points a summary of the theoretical implications of the proposed model is offered.

9.3.1 Discretion and organisational levels

The first contribution to literature is the importance of discretion on lower organisational levels. Although it is recognised that discretion differs across hierarchical levels (Caza, 2012), this study found that previous business research mostly focused on discretion as a form of leeway associated with positions located in the upper echelons of the organisation where most of the decision making occurs (Hambrick & Finkelstein, 1987; Hambrick, Finkelstein, & Mooney, 2005; Stea et

al., 2015; Wu, Kwan, Yim, Chiu, & He, 2015). Subsequently research on the lower organisational levels was neglected. The current research confirmed that discretion was indeed an important organisational phenomenon that occurred on lower organisational levels. When discretion is seen from the viewpoint of an organisational *position* (*extrinsic*) rather than from the viewpoint of a *person*, (*intrinsic*) it is understandable that employees who are not endowed with discretionary privileges would not be included in research on discretion. However, this study showed that when discretion was examined from the viewpoint of a *person* rather than a *position* as suggested by Cox et al (2008); in other words by using an *intrinsic perspective*, the significance of discretion on lower organisational levels became more distinct.

9.3.2 The dimensions of discretion

This study contributes to the theory of discretion by introducing an additional *intrinsic/extrinsic* dimension. Discretion has previously been analysed by using a task/relationship and an internal/external dimension (Caza, 2012). The task/relationship dimension helps to clarify discretionary decisions in terms of the types of workplace decisions that employees make. These could be task oriented such as decisions about the methods, material, and processes that are used; or relation oriented such as decisions about the way employees choose to interact with others that they share the work environment with. The internal/external dimension helps to define discretionary decisions in terms of decisions that relate to the internal work environment or the external work environment (Caza, 2012). This thesis extended Caza's theory, as it uncovered an *extrinsic/intrinsic* dimension of discretion by analysing discretionary decisions from the viewpoint of the person rather than the position. Crossman refers to the distinction between *who someone is* and *what they do* (2010). This is a useful way to explain the findings concerning *intrinsic* and *extrinsic* discretion. To use *intrinsic* discretion, is to make a decision based on *who you are* guided by deep-seated personal values. To use discretion based on *what you do* is to use the leeway assigned to you based on the work that you do. *Extrinsic* discretion was found to be guided by parameters clearly outlined by legislation, and organisational rules and regulations. *Intrinsic* discretion on the other hand was guided by internalised beliefs and values of the decision maker. The data showed that discretion exercised in task decisions and relation decisions could

be either intrinsic, extrinsic, or both. Task decisions mostly required extrinsic discretion, but individuals sometimes chose to step outside of discretionary parameters associated with their positions, to make a decision guided by their internal values.

9.3.3 Values and discretion

One of the aims of this research study was to answer Arnaud and Wasieleski's (2014) call to help close the gap between discretion and morality. The introduction of an *intrinsic/extrinsic* dimension of discretion contributed toward this objective. *Intrinsic* and *extrinsic* discretion were presented as two opposite ends of a continuum in the deliberation stage of the ethical decision making process. As decisions moved toward the *intrinsic* end of the continuum, decision makers increasingly relied on their personal values to choose a course of action. However, the study found that individuals were not clear about what those values were. This may be one of the effects of a societal shift toward moral relativism as noted by current value surveys (Pew Research Center, 2015; Ralston et al., 2011). Consequently, organisational values served as proxy in the absence of clearly defined personal values. This finding has theoretical implications for the role of organisations in building ethical societies. Although Societies (such as New Zealand) are increasingly moving away from traditional values, agreement on values is still necessary to maintain moral societies, as theorised by MacIntyre (2007). This research study indicated that business organisations provide important platforms where people reach agreement on values. However, business organisations may not be the ideal facilitators for such conversations. When seen from MacIntyre's perspective organisations who struggle to maintain a balance between internal and external practices may not be successful gatekeepers of ethics and morality in society.

9.3.4 The discretionary decision making process

This study contributes to decision making theory, by proposing a discretionary decision making process that forms part of the deliberation stage of the ethical decision making process. Furthermore, the study revealed that the discretionary decision making process consisted of an interesting interplay between individual

and collaborative decision making. In the current study, employees did not always rely on individual values only when they deliberated choices. Similar to Owen's (2015) finding, they often sought collaboration with others to consider available options. This approach is very likely effected by the company's expectation that management model and encourage collaboration (Fonterra operating framework). However, collaboration in the deliberation stage of the decision making process have ethical consequences. Flynn and Wiltermuth (2010) for example warn that decision makers may overestimate the degree to which they agree, resulting in false consensus bias. This study therefore supports Cross's (2008) notion that decision makers should proceed with caution when collaborating to make values-based judgements.

9.3.5 Internal and external practices and the use of discretion

The study contributes to the theory of employee discretion by using MacIntyre's approach to organisations. MacIntyre's distinction between internal and external organisational practices were particularly useful to help understand how employees experienced the use of discretion in organisations. The study found that employees appreciated opportunities to use discretion. Therefore, when their leeway was curtailed, it led to dissent. Employees were not appreciative of restrictions on their discretion if those factors were associated with external organisational practices (organisational change and growth). On the other hand, they understood and accepted restrictions associated with internal organisational practices (workplace and product health and safety). Although employees relished leeway in their decision making, they did not appreciate the leeway they were endowed with as a consequence of the organisation's strategic aim of 'velocity' (an external organisational practice). The way in which individuals experience restrictions to their use of discretion has not been described in this way before and therefore expands current theory on discretion in organisations

9.3.6 The impact of management style on the use of discretion

The study found that employees were willing to use their discretion as a result of the prevalent management style at Fonterra. They were willing to risk making decisions in uncertain circumstances because they experienced support and

encouragement from their managers. This finding supports other research outcomes that positively associated the use of discretion with employee empowerment (Chan & Lam, 2011; Fernandez & Moldogaziev, 2015; Longfellow & Malehorn, 1996). It also confirms the findings of Goll and Rasheed (2004) that an organisational culture that foster belief in the organisation's sanctioning of latitude, increases employees' use of discretion. This study contributes to the current theory about employee empowerment and discretion, by indicating how employees' notions about empowerment were affected when internal and external organisational practices were taken into consideration. The study showed that employees did not experience restrictions on their discretion as disempowering when those restrictions were associated with internal organisational practices. However, if the restrictions were associated with external organisational practices, it affected their belief that the organisation sanctioned their use of latitude, and led to lower levels of reported job satisfaction and confidence. This finding confirms previous research outcomes that associated reduced levels of discretion with lower levels of job satisfaction and personal confidence (Caza, 2012; Hiller & Hambrick, 2005)

9.4 Implications for research

This study's contribution to research is threefold. First, it contributes to the understanding of discretionary decision making in organisations from a qualitative research perspective, since most previous studies were conducted from a quantitative perspective. Second, it illustrates the creative process employed by the researcher to move from pure data to the development of theory. Third, it adds to the conversation about the use of computer assisted qualitative data analysis software in business research.

A review of the management literature on discretion revealed that the phenomenon has been researched extensively through quantitative research methods in the past. In particular, the factors that impact on discretion have almost exclusively been examined by quantitative researchers. These studies found that turbulent environments depressed the use of discretion (Aldrich, 1979; Dess & Beard, 1984; Goll & Rasheed, 2004) as do complex environments (Dess & Beard, 1984; Hambrick & Finkelstein, 1987); while munificent environments encourage the use

of discretion (Aldrich, 1979). Various organisational factors have also been researched through quantitative methods to find that organisational age, size, culture, climate, and structure (Dust, Resick, & Mawritz, 2014; Forbes, 2005b; Goll & Rasheed, 2004; Key, 2002; Ling, Simsek, Lubatkin, & Veiga, 2008; Olk & Elvira, 2001; Preston & Chen, 2008) impact on the use of discretion.

The current study therefore took a different approach, by studying employees' subjective experiences of the environments in which they used their discretion. This tactic produced important emergent issues of discretionary decision making. For example, a new dimension of discretion (*intrinsic/extrinsic*) emerged from the data; different employee attitudes toward organisational factors that impacted their use of discretion were uncovered; and the social nature of the discretionary decision making process was revealed. These nuances in the exercise of discretion were only accessible by conducting in-depth discussions with participants, and emphasised the importance of qualitative research methods in order to expand current knowledge on discretionary decision making.

Tracy (2010) encourages qualitative researchers to play with creative data analysis practices to not only lead to theoretical and practical usefulness, but also to contribute to future methodological skills. In the present study, data was analysed in a two-step process of convergence, or 'detective work' and divergence or a 'creative leap' (Guba, 1978; Mintzberg, 1979). This approach was helpful to find a pattern in the data which was at times a very "messy process" (Mintzberg, 1979). The way in which codes expanded and contracted in search of themes in the convergence phase; and the use of pictorial models to develop a new model during the divergence phase, provides a useful approach for other qualitative researchers to follow.

The study contributes to a necessary discussion on the use of software in working with qualitative data (Cambra-Fierro & Wilson, 2011). This is of particular importance in the management field, where researchers do not regularly report on their experiences with qualitative data analysis software (Woods et al 2016); and discussions on the 'how to' of computer assisted qualitative data analysis is limited (Cambra Fierro 2011; Woods et al 2016). The current study explained the way in

which a computer software package (Atlas.ti) has been employed in analysing research data. This contribution serves as encouragement for other researchers to employ the use of software without fear of losing flexibility and creativity in the execution of qualitative research.

9.5 Implications for practice

Researchers have a duty to translate research findings into a form that make sense to practitioners in real organisations. This duty is magnified in the case of ethics researchers who have an opportunity to make a difference and to provide meaningful assistance to practitioners (Trevino, Weaver, & Reynolds, 2006). In this section the researcher fulfils this duty by drawing attention to the implications of the current findings for practice. Overall, there are five research outcomes for practitioners to consider: 1. Employees on all levels of an organisation use discretion in decisions making, with or without the knowledge of management. 2. Organisational values have a significant impact on daily decision making in the workplace, and becomes more pronounced in light of the collaborative nature of the decision making process as revealed in this research. 3. Employee attitudes about restrictions on their use of discretion is associated with the way in which the organisation balance efforts to attain internal and external organisational goals. 4. Management style significantly impact employees' use of discretion. 5. Implications for policy formulation.

9.5.1 Discretion on lower organisational levels

This study found that employees, even on the lowest levels of the organisation, exercised discretion in their decision making, generally to the benefit of the organisation. Therefore, it is not enough for management to communicate organisational rules and regulations to employees, expect acquiescence, and to only step in when those rules are breached. Instead, employers need to be attentive to the principles that underlie organisational rules, and whether these principles are communicated to all employees in meaningful ways. It is important that employees on all organisational levels understand the principles, so that it can serve as guidelines when they find themselves in situations where they need to make

independent decisions. The current study showed that Fonterra largely accomplished this objective, but constant emphasis on the values is necessary to confirm its continued relevance for the organisation, especially to lower level employees. The study indicated that lower level employees questioned the values as a passing ‘management fad’ due to reduced communication about the values. On the other hand, employees exhibited strong social terminal values, and consequently placed a high premium on a harmonious work environment. It is also in this area where lower level employees made the most discretionary choices. Since human interaction and relationships is a challenging area to regulate, it is even more important that employees help identify and reach agreement on values that guide their choices.

9.5.2 Organisational values and collaboration

The current research indicated that organisational values cannot only be formulated for the sake of appearances, because employees rely on those values to give them a foundation for their discretionary decisions. Contemporary organisational values therefore need to be formulated in such a way that employees identify with it and are able to effortlessly recall it when they are confronted with novel or unregulated situations. Fonterra succeeded in formulating a set of succinct values that employees were able to recall with ease, and other organisations could learn from this example. However, it became apparent that employees sometimes differed in their interpretation of the values. Due to the brevity of the formulated values, it would therefore be beneficial for Fonterra to review and confirm the intent of the values on a regular basis with employees throughout all levels of the organisation. This is of particular importance due to the collaborative nature of the decision making process that participants divulged. An alignment of agreed values is indispensable to ensure high ethical standards in employee decision making.

9.5.3 Balancing internal and external practices

Participants in this study relished their ability to use their discretion in decision making, but they were willing to relinquish this prerogative if it was clear that in doing so, the internal objective of the organisation will be served. They understood their roles in achieving the ultimate goal of the organisation, but were less clear on

how the external objectives of the organisation contributed to the achievement of its internal objective. Consequently, they experienced frustration when their discretion was curtailed in order to achieve external organisational objectives. This is a useful phenomenon that can serve as a measure for management to determine if the organisation's internal and external objectives are in balance. Equally important, it serves to indicate if employees understand how external organisational activities serve the attainment of internal objectives. A balance between internal and external organisational practices place employees in a better position to identify with and contribute to the attainment of organisational objectives; and to prevent undesired consequences of reduced discretion such as the loss of job satisfaction, loss of confidence, loss of creativity, and increased staff turnover.

9.5.4 Management style

The study showed the importance for organisations to adopt a management style that encouraged and supported employees when they stepped out to make discretionary decisions, and is another area where other organisations could learn from Fonterra. Employees who exercised discretion in discretionary choices, reported that they were aware of the associated risk they took. Due to the novelty of the situations, the outcome of their decisions were not always predictable, and should the outcome be unfavourable, they had to be willing to carry the consequences of the decision. Under such circumstance, it would be safer not to make a decision, perhaps by escalating it to the next level. The escalation of decision making would however cause undesirable production delays for the organisation. Thus, the encouragement and support of their managers were crucial when employees engaged in discretionary decision making. The willingness of managers to tolerate mistakes (within reason) and to co-own the consequences of employee decisions encouraged employees to rely on their personal abilities to use discretion when it was called for. Instead of disciplining employees for unfavourable decision outcomes, managers used these situations as opportunities to develop employees to become less dependent and more confident in their ability to choose actions that aligned with organisational objectives.

9.5.5 Policy implications

The study was carried out in a tightened business environment. This was due to the after-effects of the global financial crisis, but also because of the industry that the organisation operated in. A recent health and safety event (the Botulism scare at the end of 2013) in particular gave rise to increased safety regulation. In addition, employees experienced increased regulation due to the centralisation of organisational practices. Employees mostly saw these efforts as a top-down approach and new regulations often frustrated them in the execution of their duties. Although it is important to identify factors that prevent profit increase, it is just as necessary to identify the bottlenecks that prevent profitability (Sull & Eisenhardt, 2015). The research showed that one of these bottlenecks is created when employees do not understand how organisational activities (external practices) support the attainment of the organisation's internal practice. Managers need to be strategic about the crafting of rules, and that includes balancing internal and external organisational practices. To achieve this, employees should be included in the design of rules. When employees are allowed the opportunity to codify their experiences into rules, they experience a greater sense of ownership and consequent willingness to keep to it. The involvement of employees in the design of policies and regulations will prevent the crafting of rules around management biases, over-reaction to recent events, and ignoring information that does not fit with their own pre-conceived ideas (Sull & Eisenhardt, 2015).

9.6 Limitations and future research

The present study produced a useful model that extends current knowledge about the use of discretion in organisations. However, the study was limited to a single case study, and further research needs to be undertaken to see how transferable the model may be. It will be worthwhile to conduct a comparative case study in the near future to compare and contrast how employees in a different organisational setting experience the use of discretion in the workplace.

Caza's (2012) circumplex of discretion allows for a task/relationship and internal/external dimension of discretion. The current study extended Caza's model

by adding an intrinsic/extrinsic dimension of discretion. Future research should explore this notion further and thereby help to strengthen the link between morality and discretion.

Further probing into the role of organisational values in personal judgement could prove interesting. In the current study employees found the organisational values useful to articulate what they believed and valued. However, an anomaly was identified in terms of participants' expressed social terminal values and reference to the organisation's core value 'co-operative spirit'. Further investigation could be helpful to determine to what extent organisational values spill over into the life world of participants (thereby uncovering more about the role of organisations in the morality of relativistic societies), and how individuals' interpretations of organisational values are consistent with organisational leaders' intent of the formulated values. The role of collaboration in discretionary decision making is a further area deserving of additional research. If employees indeed relish the participation of others in the use of discretion it is important to find out more about the way in which employees influence each other in reaching agreement on values-based decisions.

The study at Fonterra indicated that participants experienced restrictions on their ability to use discretion in the workplace differently depending on the association of such restrictions with either internal or external organisational practices. This is an interesting notion that could be explored further by future research. It may be that these employee attitudes are indicative of an imbalance between internal and external organisational practices, which could in turn could alert management to possible ethical consequences for the organisation.

Lastly, it will be beneficial to examine the repercussions of interpersonal discretion used by employees for the achievement of organisational objectives. The current study did not concentrate on the outcomes (real or professed) of the use of discretion for individuals and the organisation. Previous research studies have identified outcomes by using quantitative measures, but future research might improve current understanding by using a qualitative research approach. For example, to learn more

about the need for maintaining workplace harmony through the use of discretion. This was a desired outcome mentioned by several participants in the current study.

9.7 Conclusion

Overall this study concludes that it is neither possible, nor desirable to regulate work environments in such a way that employee decision making becomes entirely predictable. Although much of the decision making in the workplace may be simplified by following prescribed processes within pre-determined parameters, a significant number of decisions are too complex for prescriptive approaches. Instead they require more sophisticated decision making processes dependent upon the internal beliefs and values of individual employees. The key message of this study is that discretion should therefore not only be viewed from the vantage point of organisational positions, but also from the vantage point of the people who occupy those positions. The use of discretion is closely linked to morality in the workplace when it is considered as part of the ethical decision making process. The use of intrinsic discretion in particular, relies heavily on individual values, and this study found that contemporary organisations play a vital role in helping individuals to agree on the values foundational to their decisions, and consequently in the construction of moral societies.

An interesting finding was the way in which employees experienced organisational factors that impacted their discretion. The organisational factors were analysed by using MacIntyre's notion of internal and external organisational practices, and showed that employees experienced the effects on their use of discretion differently as it varied between internal and external organisational practices.

Although Societies (such as New Zealand) are increasingly moving away from traditional values, agreement on values is still necessary to maintain moral societies, as theorised by MacIntyre (2007). This research study indicated that business organisations provide important platforms where people reach agreement on values. However, business organisations may not be the ideal facilitators for such conversations. When seen from MacIntyre's perspective organisations who struggle to maintain a balance between internal and external practices may not be successful gatekeepers of ethics and morality in society.

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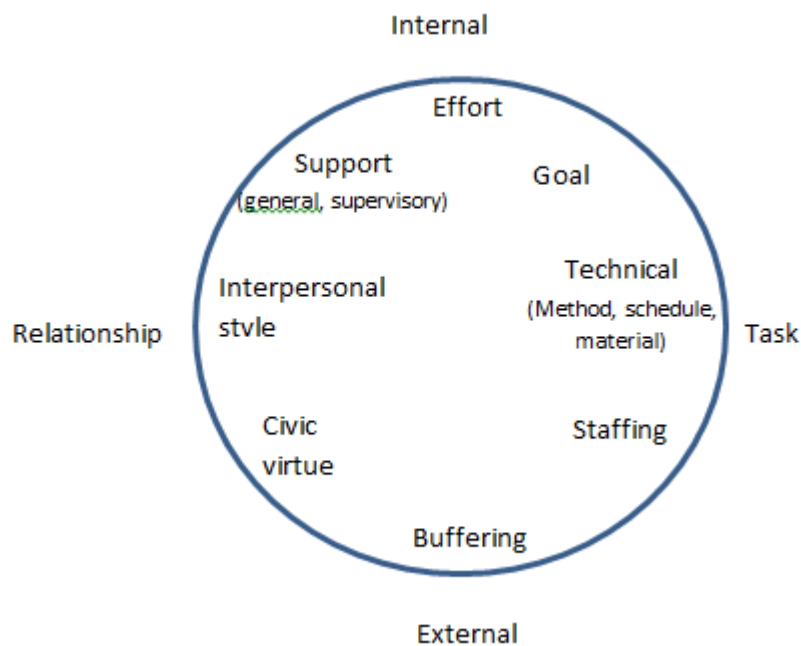
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Appendices

Appendix 1: Circumplex structure of the domains of discretion in organizations. (Caza, 2012, p.161)



The eight dimensions of discretion:

Effort: Individual discretion about the amount of effort that is exerted to complete expected tasks

Goal: Latitude in choosing the ends to be pursued

Technical: Choice about behaviours involved in completing tasks (method, scheduling, and materials)

Staffing: Discretion in all aspects of hiring and firing staff

Buffering: decisions about interacting with the environment as part of one's work

Civic virtue: Decisions to act selfless on behalf of the organisation

Interpersonal style: Discretion about all relational-oriented behaviour

Support: Choice about assisting and influencing others (directing, motivating, encouraging)

(Caza, 2012)

Appendix 2: Extra-organisational, organisational, and individual factors that impact discretion

Extra-organisational factors that impact discretion				
Factor	Definitions and effects			
Dynamism	Change that is hard to predict (Dess & Beard, 1984)			
	Description	Effect on discretion	References	Research method
	Increased regulation helps managers to cope with the uncertainties that are created by a turbulent environment	Increased regulation depress discretion	(Aldrich, 1979) (Dess & Beard, 1984) (Goll & Rasheed, 2004)	Conceptual Quantitative Quantitative
Munificence	Ability of the environment to support sustained organisational growth (Dess & Beard, 1984; Goll & Rasheed, 2004) Measured by resource levels – changes in levels, extent of unexploited levels (Castrogiovanni, 1991)			
	Description	Effect on discretion	References	
	Organisational capacity (resource levels)	Munificence encourage discretion	(Goll & Rasheed, 2004)	Quantitative
Complexity	Heterogeneity and range of organisational activities, relevant to organisation's operations (Child, 1972)			
	Description	Effect on discretion	References	Research method
	Complexity leads to increased control	Increased uncertainty depress discretion	(Dess & Beard, 1984) (Hambrick & Finkelstein, 1987)	Quantitative Conceptual
Quasi-legal constraints	Organisations that depend on government for large parts of their budgets; or organisations operating under long-term contractual obligations			

	Description	Effect on discretion	References	Research method
	Powerful outside forces affect discretion	Less opportunity to exercise discretion	(Hambrick & Finkelstein, 1987)	Conceptual
Organisational factors that impact discretion				
Factor	Definitions and effects			
Inertia				
	Description	Effect on discretion	References	Research method
	Age	Older organisations: less discretion	(Kelly & Amburgey, 1991) (Hambrick & Finkelstein, 1987)	Quantitative Conceptual
		Younger organisations; More discretion	(Forbes, 2005a, 2005b) (Koberg et al., 2000) (Ling et al., 2008)	Quantitative Quantitative Quantitative
	Size	Larger organisations: less discretion	(Hambrick & Finkelstein, 1987)	Conceptual
		Small organisations: More discretion	(Forbes, 2005a, 2005b)	Quantitative
	Culture	Creative options deemed not in line with culture: restricts discretion	(Hambrick & Finkelstein, 1987)	Conceptual
		Belief that organisation has an ethical culture: Increased discretion	(Key, 2002)	Quantitative
		Belief that organisation sanctions latitude of action: Increased discretion	(Goll & Rasheed, 2004)	Quantitative
	Climate	Can encourage or restrict discretion	(Wolfe Morrison & Phelps, 1999)	Quantitative

		Encourage executive assertiveness	(Preston & Chen, 2008)	Quantitative
	Structure	Mechanistic structure restricts discretion	(Dust et al., 2014)	Quantitative
		Organic structures encourage discretion	(Dust et al., 2014) (Caza, 2011) (Olk & Elvira, 2001)	Quantitative Quantitative Quantitative
Capital intensity	Amount of fixed or real capital present in relation to other factors of production			
	High intensity	Restricts discretion	(Hambrick & Finkelstein, 1987) (Finkelstein and Hambrick, 1990)	Conceptual Quantitative
Resource availability	Availability of resources or assets to produce goods and services			
	Increased availability of resources	Increased discretion	(Preston & Chen, 2008) (Hambrick & Finkelstein, 1987)	Quantitative Conceptual
Powerful sources within the organisation	Individuals possessing influence and power over others in organisations			
	Power levels of Chief Information Officers	Lower levels of discretion comparative to other Chief Officer roles	(Preston & Chen, 2008)	Quantitative
	CEO with large no. of company shares / instrumental in appointment of board members	Increased discretion	(Preston & Chen, 2008) (Hambrick & Finkelstein, 1987)	Quantitative Conceptual
Individual factors that impact discretion				
Factor	Definitions and effects			
Demographical factors	Socioeconomic factors			

	Description	Effect on discretion	References	Research method
	Age	Little to no effect	(Key, 2002)	Quantitative
	Gender	Little to no effect	(Key, 2002)	Quantitative
		Women in upper echelons tend to abide more by rules than male counterparts	(Portillo & DeHart-Davis, 2009)	Quantitative
	Race	Discretion differentially awarded based on race lead to inferior individual performance	(Greenhaus, Parasuraman, & Wormley, 1990)	Quantitative
	Education	Little to no effect	(Key, 2002)	Quantitative
	Tenure	Little to no effect	(Key, 2002)	Quantitative
		Long tenure in strong decision contexts may lead to risk averse behaviour	(Finkelstein & Hambrick, 1990)	Quantitative
Factor	Definitions and effects			
Personality	ILOC and ELOC: Internal and external locus locus of control – look for explanations for failure inside vs. outside themselves (Forte, 2005; Judge et al., 2002) Big 5: Openness to experience, extraversion; conscientiousness; agreeableness; neuroticism (Goldberg, 1990) Bureaucratic personality: Working in a bureaucracy make worker personalities rigid, unreasonable and rule oriented (Merton, 1940)			
	Description	Effect on discretion	References	Research method
	ILOC, and higher levels of Extraversion, Agreeableness,	Increased ability to exercise discretion	(Hodson & Sorrentino, 1999)	Quantitative Conceptual

	Emotional Stability and Openness to Experience ELOC, and higher levels of Conscientiousness Bureaucratic personality	Decreased ability to exercise discretion Disproved	(Hutzschenreuter & Kleindienst, 2013) (Hambrick & Finkelstein, 1987) (Carpenter & Golden, 1997) (Key, 2002) (Portillo & DeHart-Davis, 2009)	Quantitative Quantitative Quantitative Quantitative
Rule following behaviour	Personal predisposition to rule following behaviour that remains stable over time. New employees initiated through training and instruction more likely to be rule followers than those shaped by peers and experienced workers	Discourages discretionary behaviour	(Oberfield, 2009)	Longitudinal comparative case study
Commitment	Loyal employees who identify with organisational values Escalated commitment	Can be trusted with task discretion Unwillingness to exercise discretion	(Hambrick & Finkelstein, 1987)	Conceptual
Self-efficacy	Personal estimate of capacity to perform	More willing to use discretion	(Wolfe Morrison & Phelps, 1999)	Quantitative
Cognitive ability	Needed to calculate, deliberate, consider alternatives, simultaneously process alternatives	Higher cognition – better ability to use discretion	(Wolfe Morrison & Phelps, 1999) (March & Simon, 1993) (Hambrick & Finkelstein, 1987)	Quantitative Conceptual Conceptual

Aspiration levels	Levels of ambition	Higher levels of aspiration – more inclined to consider options	(Clark, 2004) (Hambrick & Finkelstein, 1987)	Qualitative: Case study Conceptual
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Appendix 3: Extra-organisational, organisational and individual factors that impact EDM

External factors that impact ethical decision making			
Factor	Description	Effect on EDM	References
Organisational task environment	Turbulence Hostility Dynamism Heterogeneity Competition	Negatively affect EDM.	(Chau & Siu, 2000) (Rajeev, 2012)
	Munificence	Positively affect EDM	(Husted, 1999) (Robertson & Crittenden, 2003)
National culture	Culture/Nationality	Differences in EDM	(Sims, 2009)
	<u>Examples:</u> Larger socio-cultural setting	Impacts perceived ethicality of management	(Hogler, Henle, & Gross, 2013) (Kuntz, Kuntz, Elenkov, & Nabirukhina, 2013)
	Individualist/collectivist	Motivation for ethical behaviour differs	(Rajeev, 2012) (Robertson & Crittenden, 2003)
Societal norms and ethical philosophy	Hyper norms	Can lead to similar EDM across national boundaries	(Donaldson & Dunfee, 1994)

	Local norms	Embraced in matters other than those related to hyper norms	(Spicer et al., 2004) (Robertson & Crittenden, 2003)
	Workplace philosophies (capitalism – socialism) in association with western/eastern culture	Different moral philosophies lead to differences in EDM	(Rajeev, 2012) (Cullen, Parboteeah, & Hoegl, 2004)
Organisational factors that impact ethical decision making			
Factor	Description	Effect on EDM	References
Organisational codes and policies	On its own	Little to no effect	(Schwepker, 2013) (Ford & Richardson, 1994)
	Supported by other organisational practices	Strong effect	(Fritzsche, 1991) (Rottig & Heischmidt, 2007)
Training	Organisational ethics training	Impacts employees' ethical perceptions and behaviour	(Bobek & Radtke, 2007) (Valentine & Fleischman, 2004) (Fleischman & Valentine, 2003)
		Institutionalise an ethical environment	(White & Lam, 2000)
Rewards and recognition	Rewarding ethical behaviour	Improve EDM	(Bowen, 2004) (Laczniak & Inderrieden, 1987)
	Sanctioning unethical behaviour	Discourage unethical DM	(Ford & Richardson, 1994) (Loe, Ferrell, & Mansfield, 2000)
		Can encourage unethical DM	(O'Fallon & Butterfield, 2005)

	Focus on reward for reaching financial goals		(James, 2000) (Rajeev, 2012)
Culture and Climate	Ethical	Encourage EDM	(Fritzsche, 1991) (Bowen, 2004) (Ford & Richardson, 1994) (Dickson, Smith, Grojean, & Ehrhart, 2001) (Kuntz et al., 2013) (DeConinck, 2003)
Management practices	Perceptions of ethical management Theory Y management practices Counselling role Leadership integrated with organisational vision and values	Encourage EDM	(Chau and Siu, 2000) (Stead, 1990) (Elango, Paul, Kundu, & Paudel, 2010) (McDonald, 1996) (Ford & Richardson, 1994) (Fritzsche 1991) (Bowen, 2004)
Organisational size		Mixed results	(Ford & Richardson, 1994) (O'Fallon & Butterfield, 2005)
Industry type		Mixed results	(Ford and Richardson, 1994) (O'Fallon & Butterfield, 2005)
Individual factors that impact ethical decision making			
Demographical factors	Gender Age	Mixed results for all factors	(Craft, 2013; Lehnert et al., 2015) (Ford & Richardson, 1994)

	Education Nationality/culture		(Eweje & Brunton, 2010) (Fleischman & Valentine, 2003) (Hegarty&Sim 1978) (Beltramini, Peterson, & Kozmetsky, 1984) (Chonko & Hunt, 1983) (Abdolmohammadi, Read, & Scarbrough, 2003) (Rajeev, 2012) (Ferrel & Skinner, 1988) (Ross & Robertson, 2003) (Serwinek, 1992) (Elango et al., 2010)
Personality	LOC Machiavellianism	Both LOC and Machiavellianism are strongly related to unethical decision making	(Stead, 1990) (O'Fallon & Butterfield, 2005) (Hegarty & Sim, 1978) (Caspi, Robers, & Shiner, 2005) (Costa & McCrae, 1997) (Kohlberg, 1971)
Individual ethical philosophies	Egoism Deontology Utilitarianism	Operationalised on different levels (individual, organisational, extra organisational) results in different ethical climates	(Casali, 2011) (Ferrell & Gresham, 1985) (Hunt & Vitell, 1986) (Martin & Cullen, 2006)

Appendix 4: Demographical questionnaire completed by participants

Your participation in completing the information below will be appreciated

What is your gender?

M	
F	

What is your age?

25 or under	
26-40	
41-55	
56 or older	

What is the highest level of education you completed?

Primary school	
High school or equivalent	
Vocational/technical school	
Polytech	
Bachelor's degree	
Master's degree	
Other	

How would you classify yourself?

Arab	
Asian	
Indian	
Maori	
New Zealand European	
Pacific Islander	
Multi-racial	
Other	

How long have you been working for this company?

Less than 1 year	
1-5 years	
6-10 years	
11-15 years	
Longer than 15 years	

Position in organisation:

Appendix 5: Potential conversation points for all organisational levels

Conversational entry	
Questions	Notes
<ul style="list-style-type: none"> • Tell me more about yourself <ul style="list-style-type: none"> ○ Family ○ Friends ○ Hobbies and interests ○ Community involvement • What kind of role do you play in these areas of your life – leader/follower 	<ul style="list-style-type: none"> • Reflect on how decisions and discretion comes into play in these different roles • Ease the interviewee into thinking about work by first reflecting on general parts of their life • Help them realise that they are “whole” persons who enter the work environment from the greater realm of life • If they have discretionary abilities/needs outside of work, it should still be present when they enter the work environment
<ul style="list-style-type: none"> • Tell me more about your work <ul style="list-style-type: none"> ○ The organisation – what is it like working for this organisation? ○ Type of work ○ Co-workers ○ Supervisor and management • What kinds of decisions do you make at work? 	<ul style="list-style-type: none"> • Hidden in this could be opportunities to exercise discretion with regards to goals; effort; support; and civic virtue (act selfless on behalf of the organization); other areas? • Look for opportunities to prompt thinking along these lines • Much of the work may be routine, but what happens when something outside of the routine happens?

Interview guide for all organisational levels			
High level overarching questions			
Question 1	Question 2	Question 3	Question 4
What does discretion look like in this organisation?	Is there an indication of tension between external rules and internal principles when using discretion? How does organisational regulation impact personal discretion?	<ul style="list-style-type: none"> When do employees use discretion? Stepping out of line <i>Karl Popper: "You will know the story of the soldier who found that his whole battalion (except himself of course) was out of step. I constantly find myself in this entertaining position"</i>	Impact of contextual change on discretionary decision making
Low level supporting questions			
To inform question 1	To inform question 2	To inform question 3	To inform question 4
<ul style="list-style-type: none"> What is it like to make decisions in your place of work? What is the first thing that comes to mind when you think (in general) about making decisions at work? Is there a decision that you recently had to make that stands out in your mind? 	<ul style="list-style-type: none"> What enhance/limit your opportunities to use discretion? Are there any decisions that you made that you are particularly proud of? Examples of decisions that you made that you were particularly pleased with the outcome? Can you think of examples of decisions that you agonised over? 	<ul style="list-style-type: none"> When/how do you use your own judgement? Can you give me an example of where you <u>questioned</u> the customary way of doing things? Can you give me an example of where you <u>challenged</u> the customary way of doing things? 	<ul style="list-style-type: none"> Are you aware of changes in your work environment that could have affected the way you make decisions at work? What kinds of changes did you notice?

<ul style="list-style-type: none"> • Does your decision making at work differ from your decision making outside of work <ul style="list-style-type: none"> ○ How? ○ Why? ○ How do you feel about that? 	<ul style="list-style-type: none"> • Examples of decisions that was really difficult to make? • Decisions you had to make that caused a lot of frustration • What beliefs and principles do individuals base their decisions on? • How aware are they of this inner core of personal beliefs and principles when making decisions? 	<ul style="list-style-type: none"> • Tell me about a time when you had to make a decision “on-the-spot” • Decisions that you made that seemed right, but you had to change your mind about it • Describe situation when you could/could not exercise discretion • When is it important for you to use your own judgement as opposed to being told what to do? 	<ul style="list-style-type: none"> • How did it affect the way you do your work and make decisions?
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Appendix 6: Interview guide for senior management level

What is your view on employee discretion at work?

How does the Fonterra culture cultivate the decision making abilities of its employees?

When an incident occurs, we observe it through our external senses. The data is fed to our internal senses: consciousness, memory, imagination, and instinct which elaborates on this data and then passes it on to the intellect.

When we regulate, we standardise. The only internal sense that is required is the memory, to establish which rule applies to this situation. This means that consciousness, imagination, instinct, and common sense is redundant

Please comment on the use of regulation and the use of internal senses in decision making in the organisation

What are your expectations from employees?

For what reasons, at what times and to what degree should the use of discretion (internal senses) be acceptable

How would you expect your employees to react when unexpected changes occurred in their daily work?

How would you expect your employees to act when not under scrutiny?

How do you make sure that this happens?

What is it that you want to achieve – the ultimate end for all parties involved?

Appendix 7: Interview guide for lower level operational managers, operational staff, and technical staff

Tell me about your job

Background information

What kinds of decisions do you need to make in your job?

Tell me about the people that you work with

Do you make decisions that involve the people that you told me about in any way?

What kinds of decisions would that be?

Tell me about Fonterra

How would you describe Fonterra as an employer?

What happens when you make decisions in Fonterra?

Does the company (your managers) expect you to make decisions?

How does Fonterra support you in making those decisions?

How does Fonterra prevent you from making decisions that you think is necessary to make?

How do you decide what “The right thing” is when you make decisions and carry out your duties in Fonterra?

What are your values?

- Where do they come from?

Tell me about Fonterra’s values

- Do you know what the company values are?
- Do you agree with it?
- How do the company values help you in making your decisions?

Can you give me examples of when you questioned the way things were being done around here?

Can you give me examples of decisions that you made that made you feel?

- Proud
- Pleased
- Frustrated
- Angry
- Worried

These can be examples involving your job; people you work for; Fonterra

Tell me about changes that you have experienced over the time of your employment?

- Have these changes affected your ability to make decisions?
- In what ways?

Appendix 8: Example of interview schedule

	12/03/2014	14/03/2014
TIME	WEDNESDAY	FRIDAY
8:00 a.m.	Session 1: (Reception Interview Room) E1	Session 7: (Reception Interview Room) Mary DeyE15
8:30: a.m.		
9:15 a.m.		
9:30 a.m.	Session 2: (Reception Interview Room) E2	Session 8: (Reception Interview Room) E4
10:20 a.m.		
10:30 a.m.		
11:00 a.m.	Session 3: (Room 2 – 25 C/St) Focus Group <ul style="list-style-type: none"> • E6 • E7 • E8 • E9 	Session 9: (Reception Interview Room) Steve Christiansen
11:45 a.m.		
12:00 p.m.		
12:30 p.m.	Session 4: (Reception Interview Room) E5	Session 10: (Reception Interview Room) E16
1:00 p.m.		
1:30 p.m.		
2:00 p.m.	Session 5: (Reception Interview Room) E3	Session 11: (Reception Interview Room) E9
2:30 p.m.		
3:00 p.m.		
3:30 p.m.	Session 6: (Room 2 – 25 C/St) Focus Group <ul style="list-style-type: none"> • E14 • E13 • E10 	Session 12: (Reception Interview Room) E1
4:00 p.m.		

Appendix 9: Participant demographical information

Participant	Org. level	Site	Gender	Age	Education	Ethnicity	Years Tenure
K1	TPMG	Kapuni	F	26-40	Masters	NZ European	6-10
K2	TSMG	Kapuni	M	41-55	High School	NZ European	15+
K3	TSMG	Kapuni	F	41-55	High School	NZ European	6-10
K4	TSMG	Kapuni	M	41-55	Bachelor	NZ European	3
K5	TSMG	Kapuni	M	41-55	Bachelor	NZ European	10
K6	TPMG	Kapuni	F	41-55	Polytech	NZ European	1-5
K7	TPMG	Kapuni	F	26-40	Polytech	NZ European	11-15
K8	TSMG	Kapuni	F	56+ years	Polytech	NZ European	15+
K9	TSMG	Kapuni	F	41-55	Polytech	NZ European	15+
K10	TSMG	Kapuni	M	26-40	Bachelor	Maori/NZ European	11-15
K11	OMG	Kapuni	M	41-55	High school	NZ European	6-10
K12	OMG	Kapuni	M	56+ years	High school	NZ European	11-15
K13	OS	Kapuni	F	26-40	Bachelor	NZ European	-1
K14	TSMG	Kapuni	M	41-55	Polytech	NZ European	11-15
E1	TPMG	Eltham	M	26-40	Masters	NZ European	6-10
E2	OMG	Eltham	F	26-40	High School	Maori	15+
E3	TPMG	Eltham	M	26-40	Polytech	NZ European	1-5
E4	TSMG	Eltham	M	26-40	Polytech	NZ European	15+
E5	TPMG	Eltham	M	41-55	Polytech	NZ European	11-15
E6	OMG	Eltham	F	26-40	High School	NZ European	15+
E7	OMG	Eltham	F	41-55	High School	NZ European	11-15
E8	TSMG	Eltham	M	26-40	Polytech	NZ European	1-5
E9	TPMG	Eltham	F	41-55	High School	Maori/NZ European	15+

E10	OMG	Eltham	M	41-55	High School	Maori	15+
E11	OMG	Eltham	F	41-55	Tech school	NZ European	1-5
E12	OS	Eltham	M	41-55	High School	Maori	15+
E13	OS	Eltham	F	26-40	Primary school	Pacific Islander	1-5
E14	TS	Eltham	M	41-55	Polytech	Other	11-15
E15	TSMG	Eltham	F	41-55	High School	NZ European	15+
E16	TPMG	Eltham	M	41-55	High school	NZ European	15+
E17	TPMG	Eltham	M	41-55	BA degree	NZ European	6-10
E18	TSMG	Eltham	F	26-40	High School	NZ European	15+
E19	TSMG	Eltham	F	41-55	Masters degree	NZ European	11-15
E20	OS	Eltham	F				11-15
E21	OS	Eltham	F				15+
E22	OS	Eltham	M				1-5
E23	TSMG	Eltham	M			South African	1-5
E24	OS	Eltham	M				1-5
E25	OMG	Eltham	M				
W1	TSMG	Whareroa	F	26-40	Bachelor	NZ European	1-5
W2	TSMG	Whareroa	F	41-55	Bachelor	NZ European	-1
W3	TPMG	Whareroa	M	56+ years	Bachelor	NZ European	6-10
W4	TPMG	Whareroa	M	41-55	Bachelor	NZ European	-1
W5	TPMG	Whareroa	M	26-40	Bachelor	NZ European	6-10
W6	TPMG	Whareroa	M	26-40	Bachelor	NZ European	1-5
W7	TPMG	Whareroa	M				
W8	OMG	Whareroa	M	41-55	high School	NZ European	15+
W9	OMG	Whareroa	M	41-55	high School	Maori	15+
W10	TPMG	Whareroa	M				
W11	OS	Whareroa	M	26-40	high School	NZ European	1-5